

# Official Statement

**NEW ISSUE/Book-Entry Only**

**RATINGS:**

**Maturities 2006-2008:**  
**Fitch Ratings "AA"**  
**Moody's "Aa2"**  
**Standard & Poor's "AA"**

**Maturities 2009-2021:**  
**Fitch Ratings "AAA"**  
**Moody's "Aaa"**  
**Standard & Poor's "AAA"**  
**(FSA Insured: See "Bond Insurance" and "Ratings")**

*In the opinion of Bond Counsel interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and the Bonds are not private activity bonds. See "Tax Exemption" for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.*

**\$68,000,000**

**CITY OF ARLINGTON, TEXAS**  
**(Tarrant County, Texas)**

**Permanent Improvement Refunding Bonds, Series 2005**

**Dated: March 1, 2005**

**Due: August 15**

The \$68,000,000 City of Arlington, Texas, Permanent Improvement Refunding Bonds, Series 2005 (the "Bonds") will be issued in fully registered form without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in principal amounts of \$5,000 or multiples thereof. **Purchasers will not receive certificates representing the Bonds purchased.** Interest on the Bonds will be payable on February 15 and August 15 of each year, commencing August 15, 2005.

The scheduled payment of principal of and interest on the Bonds maturing on August 15 of the years 2009 through 2021 inclusive (the "Insured Bonds"), when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by FINANCIAL SECURITY ASSURANCE INC.



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**Maturity Schedule**  
**(See Inside Cover)**

The scheduled payment of principal and interest on the Bonds maturing on August 15 of the years 2006 through 2008 inclusive **is not** guaranteed under an insurance policy. This cover page contains information for quick reference only. It is *not* a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered for delivery when, as and if, issued and received by the Underwriters and subject to the approving opinion of the Attorney General of the State of Texas and Vinson & Elkins L.L.P., Dallas, Texas, Bond Counsel. The legal opinion of Bond Counsel will be printed on or attached to the Bonds (See Appendix C, "Form of Bond Counsel's Opinion"). Certain matters will be passed upon for the Underwriters by Fulbright & Jaworski L.L.P., Dallas, Texas and West & Gooden, P.C., Dallas, Texas. It is expected that the Bonds will be available for delivery through The Depository Trust Company on or about April 5, 2005.

**Estrada Hinojosa & Company, Inc.**

**Morgan Stanley   A.G. Edwards & Sons, Inc.   Morgan Keegan & Company, Inc.**

The date of this Official Statement is March 2, 2005.

## Maturity Schedule

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>Cusip Number</u> <sup>(1)</sup>	<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>Cusip Number</u> <sup>(1)</sup>
2006	\$ 160,000	2.50%	2.45%	041790V29	2014	\$ 500,000	3.625%	3.79%	041790V78
2007	55,000	2.50	2.67	041790V37	2014	8,045,000	5.00	3.79	041790T97
2008	260,000	2.50	2.83	041790T30	2015	595,000	3.75	3.87	041790V86
2009	565,000	3.00	3.02	041790T48	2015	7,380,000	5.00	3.87	041790U20
2010	2,065,000	3.00	3.18	041790T55	2016	8,565,000	5.00	3.97	041790U38
2011	1,200,000	3.25	3.38	041790V45	2017	8,105,000	5.00	4.02 <sup>(2)</sup>	041790U46
2011	2,850,000	5.00	3.38	041790T63	2018	700,000	4.00	4.09 <sup>(2)</sup>	041790U95
2012	1,100,000	3.375	3.53	041790V52	2018	5,700,000	5.00	4.09 <sup>(2)</sup>	041790U53
2012	4,585,000	5.00	3.53	041790T71	2019	5,120,000	5.00	4.14 <sup>(2)</sup>	041790U61
2013	2,295,000	3.50	3.69	041790V60	2020	2,360,000	5.00	4.20 <sup>(2)</sup>	041790U79
2013	5,095,000	5.00	3.69	041790T89	2021	700,000	4.125	4.31 <sup>(2)</sup>	041790U87

<sup>(1)</sup> CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services.

<sup>(2)</sup> Yield to call.

Other than with respect to information concerning Financial Security Assurance Inc. ("Financial Security") contained under the caption "Bond Insurance" and Appendix D specimen "Municipal Bond Insurance Policy" herein, none of the information in this Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Bonds; or (iii) the tax exempt status of the interest on the Bonds.

## CITY OF ARLINGTON

### ELECTED OFFICIALS

<u>City Council</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Robert Cluck, M.D. Mayor	5 years <sup>(1)</sup>	May, 2005	Doctor
Wayne Ogle Mayor Pro Tem	9 years	May, 2005	Minister
Joe Bruner Council member	4 years	May, 2006	Certified Public Accountant
Sheri Capehart Council member	3 years <sup>(2)</sup>	May, 2006	Computer Security Analyst, Retired
Kathryn Wilemon Council member	1 year	May, 2005	Community Volunteer
Lana Wolff Council member	1 year	May, 2005	Community Volunteer
Steve McCollum Council member	4 years	May, 2006	Small Business Owner
Ron Wright Council member	4 years	May, 2006	Congressman's District Director
Gene Patrick Council member	1 year	May, 2005	Small Business Owner

<sup>(1)</sup> Served as Councilmember from May 1999 to May 2003.

<sup>(2)</sup> Served as Councilmember from May 2000 to May 2003 and elected Mayor in May 2004.

### APPOINTED OFFICIALS

<u>Name</u>	<u>Position</u>	<u>Years of employment with City</u>
Fred Greene	Interim City Manager	11 <sup>(1)</sup>
Ron Olson	Deputy City Manager - Citizen Services	- <sup>(2)</sup>
Trey Yelverton	Interim Deputy City Manager - Community Resources	11
Fiona Allen	Interim Deputy City Manager - Administration	14
Donna Swarb	Chief Financial Officer	6
Rick McCleery	Acting Director of Water Utilities	30
Jay Doegey	City Attorney	18
Barbara Heptig	City Secretary	8

<sup>(1)</sup> Served as Interim Deputy City Manager from June to November 2004, and served ten years with the City as a Director from 1985 to 1995.

<sup>(2)</sup> Employed with City since November, 2004.

### ATTORNEY AND INDEPENDENT PUBLIC ACCOUNTANTS

Independent Public Accountants	KPMG, LLP Dallas, Texas
Bond Counsel	Vinson & Elkins L.L.P. Dallas, Texas

## USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman, or other person has been authorized by the City to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon. This Official Statement does not constitute an offer to sell and is not to be used in an offer to sell or the solicitation of an offer to buy in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof.

Neither the City nor the Underwriters make any representation or warranty with respect to the information contained in this Official Statement regarding the Depository Trust Company or its book-entry-only system or Financial Security Assurance Inc. or its bond insurance policy described under “Section One: Introduction: Bond Insurance”.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of. Their responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

In connection with the offering of the bonds, the Underwriters may over-allot or effect transactions which stabilize or maintain the market prices of the bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

CUSIP numbers have been assigned to the Bonds by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. The City is not responsible for the selection or correctness of the CUSIP numbers shown on the inside cover page.

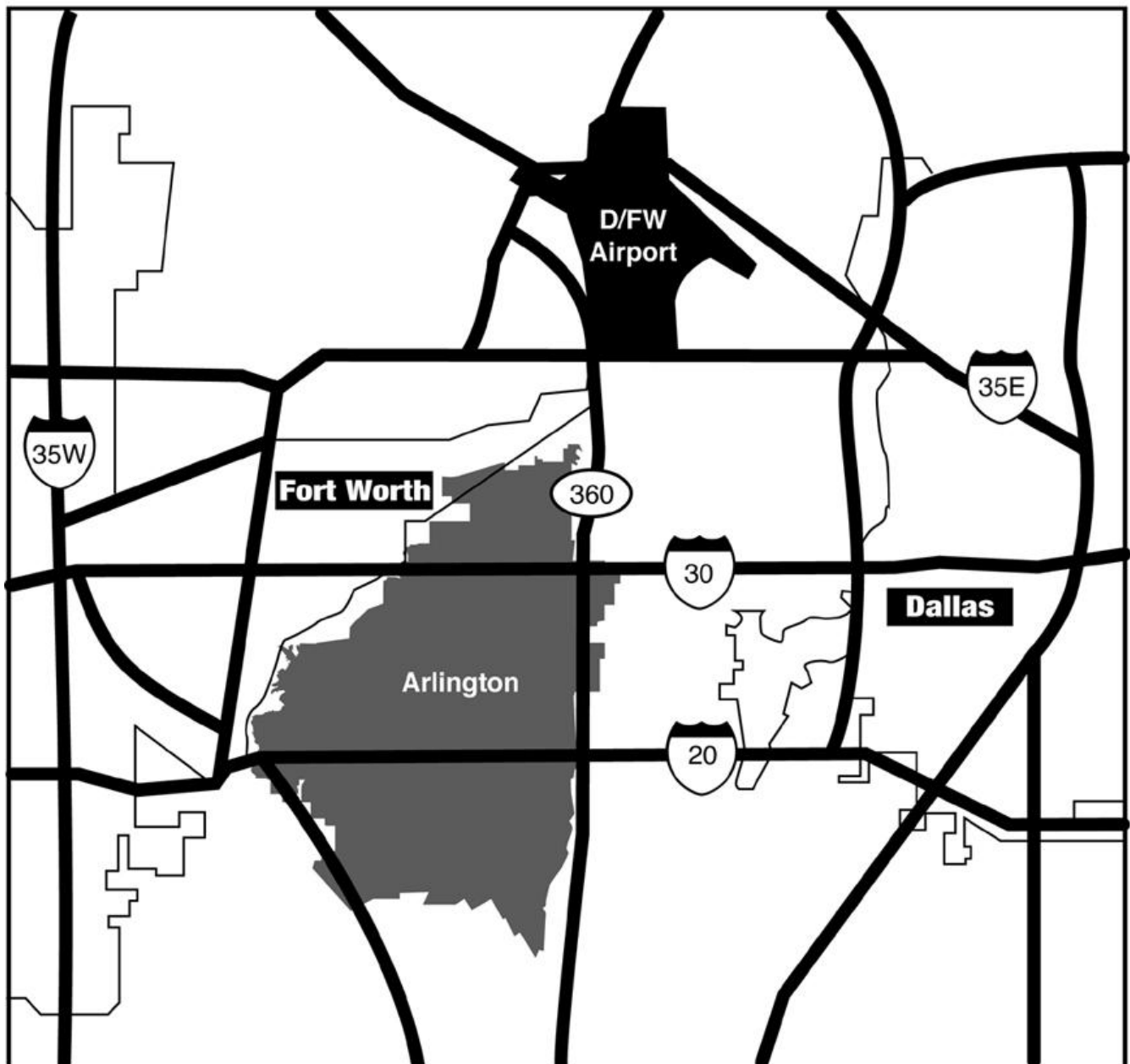
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# Dallas/Fort Worth/Arlington Metropolitan Area



## **SECTION ONE: INTRODUCTION**

The following material is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement, reference to which is hereby made for all purposes.

### **The Issuer**

The City of Arlington, Texas (the "City"), is located at the center of the Dallas-Fort Worth Metroplex, between Dallas and Fort Worth, and 8 miles south of the Dallas/Fort Worth International Airport. The City, which encompasses 98.7 square miles, had a 2000 census population of 332,969. The City's Planning and Development Services Department estimates the current population of the City to be 355,634 residents. The City operates under a Council-Manager form of government and provides the following services to the citizens of the City: public safety (police and fire), public works, public welfare, parks and recreation, public health, water and wastewater utilities, and general administrative services. The City operates its water and wastewater system and its sanitary landfill operation as self-supporting enterprise funds.

### **The Bonds**

\$68,000,000 City of Arlington, Texas, Permanent Improvement Refunding Bonds, Series 2005 (the "Bonds"), dated March 1, 2005, maturing on the dates set forth on the inside cover of this Official Statement. Interest will be paid on August 15, 2005, and on each February 15 and August 15 thereafter until the earlier of maturity or prior redemption.

The Bonds are issued pursuant to the laws of the State of Texas and the ordinance (the "Ordinance") adopted by the City Council of the City.

### **Use of Proceeds**

The proceeds from the sale of the Bonds are being used to refund certain maturities of the City's outstanding obligations listed in Appendix E (the "Refunded Obligations") as described in "Section Two - Plan of Financing" and to pay costs related to the issuance of the Bonds.

### **Security**

The Bonds, when issued, will be payable from the proceeds of a continuing direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City.

### **Optional Redemption**

The Bonds maturing on and after August 15, 2017 are subject to redemption prior to maturity at par plus accrued interest, at the option of the City, on August 15, 2015 or on any date thereafter as described more fully in Section Two herein "Optional Redemption."

### **Legal Matters**

The City will furnish the underwriters of the Bonds a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the Ordinance containing the continuing disclosure agreement required pursuant to Rule 15c2-12 of the Securities and Exchange Commission, a certified copy of the approving opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the City, and the approving legal opinion of Vinson & Elkins L.L.P., Dallas, Texas, Bond Counsel, to like effect and to the effect that (i) the interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and (ii) the Bonds are not "private activity bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Bonds will not be subject to the alternative minimum tax on individuals and corporations except as described below under "Tax Exemption." In rendering the aforesaid opinion, the Attorney General of the State of Texas will review the transcript of proceedings relating to the Bonds, including the Bond initially delivered to the underwriters of such Bonds.

Bond Counsel has not examined and has not investigated or verified any statements, records, material or matters relating to the financial condition or capabilities of the City, and has assumed no responsibility for the preparation or

contents of the Official Statement, except that in its capacity as Bond Counsel, such firm has reviewed the information under the subheadings "The Bonds," "Security," "Optional Redemption", "Legal Matters," and "Continuing Disclosure of Information" (except for the information set forth under the subheading "Compliance with Prior Undertakings") contained under "Section One: Introduction" and under the heading "Section Two: The Bonds" (except for the information set forth under the subheadings "Sources and Uses of Funds," "Book-Entry-Only System – General," "Book-Entry-Only System – Miscellaneous," "Redemption Procedures While Bonds Held by DTC," "Authorized Permanent Improvement Bonds," "Owners Remedies," and "No Litigation Certificate" as to which no opinion need be expressed) and such firm is of the opinion that the information relating to the Bonds and the legal issues under such headings and subheadings is an accurate and fair description of the law and legal issues addressed therein and with respect to the Bonds, such information conforms to the provisions of the Ordinance. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. Bond Counsel's fee for services rendered with respect to the sale of the Bonds is paid on a "per bond" basis. Certain matters will be passed upon for the Underwriters by Fulbright & Jaworski L.L.P., Dallas, Texas and West & Gooden, P.C., Dallas, Texas.

## **Litigation**

The City is no longer involved in the class action lawsuit *Scalf v. City of Arlington* challenging the validity of the street maintenance fee. In February 2004, the Texas Supreme Court denied review of the Fort Worth Court of Appeals decision. The trial court had found the street maintenance fee was an illegal tax. The Fort Worth Court of Appeals dismissed the case against the City, because the citizen did not have standing to challenge the fee. The City subsequently repealed the street maintenance fee after voters approved a street maintenance sales tax.

The City is currently involved in an employment lawsuit, *Lubke v. City of Arlington*, in which the plaintiff alleges that his termination violated the Family Medical Leave Act. He was terminated from his employment as a Battalion Chief with the City of Arlington Fire Department when he did not show up for work during the "Y2K" weekend in December 1999. The City contends that the plaintiff had inadequate substantiation for his absence. Such substantiation was required under the policies of the Fire Department. The City is vigorously contesting this case, which was tried by jury in April 2004. Judgment in the amount of \$1.1 million was rendered against the City. The case has been appealed. The range of exposure to the City in the event the jury verdict is affirmed on appeal is \$1.1 to 1.5 million dollars. The probability of an unfavorable outcome cannot be determined at this time. Accordingly, no accrual has been made.

Stephen Glahn filed suit against George W. Bush, the Texas Rangers, the Arlington Sports Authority, former Mayor Richard Greene, and Mayor Robert Cluck to contest the ad valorem tax exempt status afforded the Rangers and Cowboys sports facilities. He sought an injunction and the return of tax dollars to the school district. On December 9, 2004 the court granted the plea to the jurisdiction dismissing all claims as to all defendants because of Plaintiff's lack of standing. Plaintiff is still within the time to file an appeal but an outcome adverse to the City is remote. Accordingly, no accrual has been made.

Various other claims and lawsuits are pending against the City. In the opinion of City management, the potential losses, in excess of APFA limitations (see "Self Insurance") or insurance coverage, if any, on all such claims will not have a materially adverse effect on the City's financial position, as a whole.

## **Delivery**

The Bonds are offered subject to prior sale, when, as, and if, issued by the City and accepted by the Underwriters, subject to the approval of the Attorney General of Texas and Vinson & Elkins L.L.P., Dallas, Texas, Bond Counsel. Delivery of the Bonds is expected on or about April 5, 2005.

## **Paying Agent/Registrar**

Payments of principal and interest will be payable by The Bank of New York Trust Company, N.A. (the "Paying Agent/Registrar") to DTC or its nominee, Cede & Co., which will then remit such payments to the DTC participants for subsequent disbursement to the Beneficial Owners of the Bonds, as described in Section Two herein "Book-Entry-Only System."



## **Ratings**

The City has applied to Fitch Ratings, One State Street Plaza, New York, New York, 10004, Moody's Investors Service, Inc., 99 Church Street, New York, New York, 10007, and Standard & Poor's Rating Services, A Division of The McGraw-Hill Companies, Inc., 55 Water Street, New York, New York, 10041 and received credit ratings on the Bonds. The initial credit ratings on the Bonds are set forth on the cover of this Official Statement. An explanation of the significance of such ratings may only be obtained from the rating agency furnishing the same. The City furnished to such rating agencies the information contained in this Official Statement and certain publicly available materials and information about the City. Generally, rating agencies base their ratings on such materials and information, as well as investigations, studies, and assumptions of the rating agencies. Such ratings may be changed at any time, and no assurance can be given that they will not be revised downward or withdrawn entirely by any of such rating agencies if, in the judgment of such rating agency or agencies, circumstances so warrant. Such circumstances may include, without limitation, changes in or unavailability of information relating to the City. Any such downward revision or withdrawal of any of such ratings may have an adverse effect on the market price of the Bonds.

## **Registration and Qualification**

The sale of the Bonds has not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon exemptions provided therein; the Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities act of any jurisdiction. The City assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, assigned, pledged, hypothecated, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemptions from securities registration or qualification provisions.

## **Payment Record**

The City has never defaulted on its revenue bonds and has not defaulted on its bonds payable from ad valorem taxation since 1935, when all such bonds were refunded at par with a reduction in interest rate.

## **Underwriting**

The Bonds are being purchased by Estrada Hinojosa & Company, Inc. as Senior Managing Underwriter, and the other underwriters listed on the cover of this Official Statement (the "Underwriters"). The purchase contract for the Bonds (the "Purchase Contract") sets forth the obligation of the Underwriters to purchase the Bonds at an aggregate underwriting discount of \$394,400.00 and is subject to certain terms and conditions, including the approval of certain legal matters by Bond Counsel. The Purchase Contract provides that the Underwriters will purchase all of the Bonds if any are purchased. The Underwriters may offer and sell the Bonds to certain dealers and others at prices different from the public offering prices stated on the inside cover page of this Official Statement. The public offering prices may be changed from time to time at the discretion of the Underwriters.

## **Preparation of Official Statement**

Concurrent with the delivery of the Bonds, the City will furnish a certificate dated the date of delivery of the Bonds, signed by the appropriate City officials and stating that the descriptions and statements in this Official Statement on the date of this Official Statement and on the date of delivery were and are true and correct in all material respects, did not and do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such descriptions and statements, in light of the circumstances under which they were made, not misleading, and that no material adverse change has occurred in the financial condition of the City between the date of this Official Statement and the date of delivery of the Bonds other than as contemplated in the Official Statement. Such certificate will also state, however, that such City officials did not independently verify the information indicated in this Official Statement as having been obtained or derived from sources other than the City and its officers but that they have no reason to believe that such information is not accurate. None of the information contained in this Official Statement (with the exception of Appendix B) has been reported on by the City's independent auditors.

## BOND INSURANCE

### Bond Insurance Policy

Concurrently with the issuance of the Bonds, Financial Security Assurance Inc. ("Financial Security") will issue its Municipal Bond Insurance Policy (the "Policy") for the Bonds maturing on August 15 of the years 2009 through 2021, inclusive (the "Insured Bonds"). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement. **The Policy does not guarantee the payment of principal and interest on the Bonds maturing on August 15 of the years 2006 through 2008 inclusive.**

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### Financial Security Assurance Inc.

Financial Security is a New York domiciled insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At September 30, 2004 Financial Security's total policyholders' surplus and contingency reserves were approximately \$2,255,933,000 and its total unearned premium reserve was approximately \$1,561,771,000 in accordance with statutory accounting practices. At September 30, 2004, Financial Security's total shareholder's equity was approximately \$2,612,989,000 and its total net unearned premium reserve was approximately \$1,286,985,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Bonds. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Bonds or the advisability of investing in the Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Issuer the information presented under this caption for inclusion in the Official Statement.

## CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City made the following agreement for the benefit of the holders and Beneficial Owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

## **Annual Reports**

The City will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under the headings “Section Three: The City of Arlington; Section Four: Debt Structure and Capital Improvement Program; and Section Five: Financial Information.” The City will update and provide this information within six months after the end of each fiscal year ending in or after 2005. The City will provide the updated information to each nationally recognized municipal securities information repository (“NRMSIR”) and to any state information depository (“SID”) that is designated by the State of Texas and approved by the staff of the United States Securities and Exchange Commission (the “SEC”).

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide notice that audited financial statements are not available and will provide unaudited financial statements for the applicable fiscal year to each NRMSIR and any SID. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulations.

The City’s current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify each NRMSIR and any SID of the change.

The Municipal Advisory Council of Texas (the “MAC”) has been designated by the State of Texas and approved by the SEC staff as a qualified SID. The address of the Municipal Advisory Council is 600 West 8th Street, P.O. Box 2177, Austin, Texas 78798-2177, and its telephone number is 512/476-6947. The MAC has also received SEC approval to operate, and has begun to operate, a “central post office” for information filings made by municipal issuers, such as the City. A municipal issuer may submit its information filings with the central post office, which then transmits such information to the NRMSIRs and the appropriate SID for filing. This central post office can be accessed and utilized at [www.DisclosureUSA.com](http://www.DisclosureUSA.com) (“DisclosureUSA”). The City may utilize DisclosureUSA for the filing of information related to the Bonds.

## **Material Event Notices**

The City will also provide timely notices of certain events to certain information vendors. The City will provide notice of any of the following events with respect to the Bonds, if such event is material to a decision to purchase or sell Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.” The City will provide each notice described in this paragraph to any SID and to either each NRMSIR or the Municipal Securities Rulemaking Board (“MSRB”).

## **Availability of Information from NRMSIRs and SID**

The City has agreed to provide the foregoing information only to NRMSIRs and any SID. The information will be available to owners of Bonds only if the owners comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so.

## **Limitations and Amendments**

The City has agreed to update information and to provide notices of material events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described

above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although owners of Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell the Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the owners of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the owners and Beneficial Owners of the Bonds. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

#### **Compliance with Prior Undertakings**

The City has previously made continuing disclosure agreements in connection with the issuance of its Bonds and Obligations. The City is in compliance with its prior undertakings.

#### **ADDITIONAL INFORMATION**

For additional information regarding this document please contact Mr. Chuck Springer, Treasury Manager, City of Arlington, Texas, at (817) 459-6307.

## SECTION TWO: THE BONDS

### DESCRIPTION OF THE BONDS

#### General

The Bonds are dated March 1, 2005, and mature on the dates set forth on the inside cover of this Official Statement. Interest is payable on August 15, 2005, and on each February 15 and August 15 thereafter until the earlier of maturity or prior redemption. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

#### Security

The Bonds, when issued, will be payable from the proceeds of a continuing direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City.

### PLAN OF FINANCING

#### Purpose

The Bonds are being issued to refund a portion of the City's outstanding obligations (the "Refunded Obligations") in order to achieve debt service savings and to pay the costs of issuing the Bonds. See "Appendix E – Schedule of Obligations to be Refunded" for a more complete description of the Refunded Obligations.

#### Refunded Obligations

Upon delivery of the Bonds, the City will enter into an Escrow Agreement with The Bank of New York Trust Company, N.A., as Escrow Agent (the "Escrow Agent"). The Escrow Agreement creates an Escrow Fund, which is to be held by the Escrow Agent and is to be applied solely to the payment of the Refunded Obligations listed in Appendix E. The Ordinance provides that from the proceeds received from the Underwriters from the sale of the Bonds and other available funds of the City, the City will deposit with the Escrow Agent for irrevocable deposit in the Escrow Fund an amount which will be invested, at the direction of the City, in direct obligations of the United States of America ("Government Securities") maturing in amounts and bearing interest at rates sufficient without reinvestment (i) to pay when due the interest on the Refunded Obligations to the first day on which they may be redeemed at the option of the City, (ii) to pay the principal of the Refunded Obligations at such redemption dates, and (iii) to pay the redemption prices of the Refunded Obligations at redemption prices equal to the respective principal amounts and premium (if any) of the Refunded Obligations to be redeemed, plus interest accrued and unpaid to such redemption date. The Government Securities will be purchased from the Treasury Department of the United States of America or in the open market at interest rates which will cause the yield thereon, computed in accordance with the provisions of Section 148 of the Code, not to exceed the yield permitted by such Code. **The Escrow Fund, including the interest earnings on the Government Securities, is pledged solely for the benefit of the holders of the Refunded Obligations and will not be available to pay debt service on the Bonds.**

The Refunded Obligations have been irrevocably designated for redemption in accordance with the information set forth in Appendix E and provision has been made in the Ordinance for the giving of notice of such redemption.

By deposit of the Government Securities and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of all the Refunded Obligations in accordance with applicable law. It is the opinion of Bond Counsel that as a result of such defeasance and in reliance upon the report of The Arbitrage Group, Inc., certified public accountants and consultants, the Refunded Obligations will be outstanding only for purpose of receiving payments from the Government Securities and any cash held for such purpose by the Escrow Agent and such Refunded Obligations will not be deemed as being outstanding obligations of the City payable from ad valorem taxes nor for the purpose of applying any limitation on the issuance of debt.

The City has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund, from lawfully available funds, of any additional amounts required to pay the principal and interest on the Refunded Obligations, if for any

reason, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund are insufficient to make such payment.

By issuing the Bonds, the City will save approximately \$4,015,153.69 in debt service costs on an aggregate basis and \$2,943,488.77 on a present value basis discounted at the true interest cost of the Bonds (3.9084%). The present value savings represent 4.2675% of the par amount of the Refunded Obligations.

### **Verification of Mathematical Computations**

The Arbitrage Group, Inc., certified public accountants and consultants, will verify the arithmetical accuracy of certain mathematical computations (a) as to the sufficiency of the monies and investments deposited in the Escrow Fund (i) to pay, when due, the interest on the Refunded Obligations from their respective interest payment dates to their respective earliest redemption dates, (ii) to pay the principal of the Refunded Obligations at such redemption dates and (iii) to pay the redemption prices of the Refunded Obligations at redemption prices equal to the respective principal amounts of the Refunded Obligations to be redeemed, plus interest accrued and unpaid to such redemption dates, (b) as to the yields on the Bonds and the Refunded Obligations and on the Government Securities to be purchased with the proceeds of the sale of the Bonds and the City's cash contribution and deposited in the Escrow Fund pursuant to the terms of the Escrow Agreement which was relied upon by Bond Counsel to support its opinion that interest on the Bonds will not be included in gross income for federal income tax purposes.

### **SOURCES AND USES OF FUNDS**

The following table summarizes the anticipated application of the proceeds of the Bonds and other available moneys of the City for the purpose of issuance described above:

#### **Sources:**

Par Amount of Bonds .....	\$68,000,000.00
Net Original Issue Premium .....	4,957,745.55
Accrued Interest.....	305,507.71
Cash Contribution from City .....	<u>490,823.96</u>
Total Sources .....	\$73,754,077.22

#### **Uses:**

Deposit to Escrow Fund .....	\$72,727,174.01
Deposit to Interest & Sinking Fund.....	305,507.71
Issuance Expenses .....	163,539.11
Bond Insurance .....	163,456.39
Underwriters' Discount .....	<u>394,400.00</u>
Total Uses .....	\$73,754,077.22

### **Tax Exemption**

In the opinion of Vinson & Elkins L.L.P., Bond Counsel, (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and (ii) the Bonds are not "private activity bonds" under the Code, and interest on the Bonds will not be subject to the alternative minimum tax on individuals and corporations, except as described below in the discussion regarding the adjusted current earnings adjustment for corporations.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of the proceeds of the Bonds and source of repayment thereof, limitations on the investment of proceeds of the Bonds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds of the Bonds be paid periodically to the United States and a requirement that the City file an information report with the Internal Revenue Service. The City has covenanted in the Ordinance authorizing the issuance of the Bonds that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants in the Ordinance pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes.

and, in addition, will rely on representations by the City and the Underwriters with respect to matters solely within the knowledge of the City and the Underwriters, which Bond Counsel has not independently verified. Bond Counsel will further rely on the report of The Arbitrage Group, Inc., certified public accountants, regarding the mathematical accuracy of certain computations. If the City should fail to comply with the covenants contained in the Ordinance or if the foregoing representations or report should be determined to be inaccurate or incomplete, interest on the respective Bonds could become taxable from the date of initial delivery thereof, regardless of the date on which the event causing such taxability occurs.

The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT, REMIC or FASIT), includes 75% of the amount by which its "adjusted current earnings" exceeds its other "alternative minimum taxable income." Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation's "adjusted current earnings," ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Except as stated above, and as stated below in "Tax Accounting Treatment of Original Issue Discount Bonds," Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits, including tax-exempt interest on such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather such opinions represent Bond Counsel's legal judgment based on its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local bonds is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the outcome of the audit.

### **Tax Accounting Treatment of Original Issue Discount Bonds**

The initial public offering price to be paid for certain of the Bonds may be less than the principal amount thereof (the "Original Issue Discount Bonds"). In such case, Bond Counsel, under existing law and based upon the assumptions hereinafter stated, will render an opinion to the effect that:

- (a) The difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the initial public offering of the Bonds; and

(b) Such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX EXEMPTION" generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

In rendering the foregoing opinion, Bond Counsel will assume, in reliance upon certain representations of the Underwriters, that (a) the Underwriters have purchased the Bonds for contemporaneous sale to the public and (b) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Official Statement. Neither the City nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions. Certain of the representations of the Underwriters, upon which Bond Counsel will rely in rendering the foregoing opinion, will be based upon records or facts the Underwriters had no reason to believe were not correct.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to the basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bonds.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to the rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such accrual period on such Bonds.

### **Book-Entry-Only System - General**

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and



dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC [nor its nominee], the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such

payments to Direct and Indirect Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Obligation certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

*The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that City and the Underwriters believe to be reliable, but neither the City nor the Underwriters takes any responsibility for the accuracy thereof.*

#### **Book-Entry-Only System - Miscellaneous**

The information in the Subsection entitled "Book-Entry-Only System-General" has been obtained by the City from DTC. The City takes no responsibility for the accuracy or completeness thereof. Neither the City nor the Paying Agent/Registrar will have any responsibility or obligations to DTC Participants or the persons for whom they act as nominees with respect to the payments to or the providing of notice to the DTC Participants, or the Indirect Participants, or Beneficial Owners. The City cannot and does not give any assurance that DTC Participants or others will distribute principal and interest payments paid to DTC or its nominees, as the registered owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

#### **Source of Payment for the Bonds**

The opinion of Bond Counsel will state, among other things, that the Bonds constitute valid and legally binding obligations of the City and that ad valorem taxes upon all taxable property of the City necessary to pay the principal of and interest on the Bonds have been levied and pledged irrevocably for such purposes, within the limits prescribed by law.

The following is an excerpt from the ordinance authorizing the issuance of the Bonds:

"Pursuant to the authority granted by the Texas Constitution and the laws of the State of Texas, there shall be levied and there is hereby levied for the current year and for each succeeding year hereafter while any of the Bonds or any interest thereon is outstanding and unpaid, an ad valorem tax on each one hundred dollars valuation of taxable property within the City, at a rate sufficient, within the limit prescribed by law, to pay the debt service requirements of the Bonds, being (i) the interest on the Bonds, and (ii) a sinking fund for their redemption at maturity or a sinking fund of two percent (2%) per annum (whichever amount is greater) when due and payable, full allowance being made for delinquencies and costs of collection.

The ad valorem tax thus levied shall be assessed and collected each year against all property appearing on the tax rolls of the City most recently approved in accordance with law and the money thus collected shall be deposited as collected to the Interest and Sinking Fund.

Said ad valorem tax, the collections therefrom, and all amounts on deposit in or required hereby to be deposited to the Interest and Sinking Fund are hereby pledged and committed irrevocably to the payment of the principal of and interest on the Bonds when and as due and payable in accordance with their terms and this Ordinance."

### **Optional Redemption**

The City has reserved the right and option to redeem the Bonds scheduled to mature on or after August 15, 2017 prior to their scheduled maturities, in whole or in part, on August 15, 2015, or on any date thereafter, at par plus accrued interest to the date fixed for redemption in principal amount of \$5,000 or any integral multiple thereof. If less than all of the Bonds are to be redeemed the City reserves the right to determine the maturity or maturities and the amounts thereof to be redeemed and if less than all of a maturity is to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot which of the Bonds of such maturities, or portions thereof, shall be redeemed. If any Bond (or portion of the principal amount thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bonds (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

### **Notice of Redemption**

Not less than 30 days prior to the redemption date, the Paying Agent/Registrar shall send a notice of redemption by United States mail, first class postage prepaid, to each registered owner (the "Owner") of a Bond to be redeemed in whole or in part at the address of the Owner as shown on the records of the Paying Agent/Registrar at the time such notice of redemption is mailed, and any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by an Owner. Such notice shall, among other things, identify the redemption date, specify the redemption price, the place at which the Bonds are to be surrendered for payment and, if less than all of the Bonds are to be redeemed, the notice shall identify the Bonds or portions thereof to be redeemed. The notice of redemption shall also state that the Bonds so called for redemption shall cease to bear interest after the redemption date.

### **Redemption Procedures While Bonds Held by DTC**

If the Bonds are being held by DTC under the book-entry system and less than all of such Bonds within a maturity are being redeemed, DTC's current practice is to determine by lot the amount of the interest of each DTC Participant in such maturity to be called for redemption, and each DTC Participant is to then select by lot the ownership interest in each maturity to be redeemed. See "Book-Entry-Only System - General" herein.

In the event the Bonds are no longer in the book-entry form at DTC, if less than all the Bonds are to be redeemed by the City, the City shall determine the maturity or maturities and the amounts thereof to be redeemed and shall direct the Paying Agent/Registrar to call by lot within a maturity the Bonds or portions thereof to be redeemed.

### **Owners' Remedies**

The Ordinance provides that while any of the Bonds are outstanding there shall be levied, assessed and collected an ad valorem tax, within the limits prescribed by law, on all taxable property within the City, sufficient to pay principal of and interest on the Bonds when due and to pay the expenses necessary in collecting such taxes. The Ordinance provides for nonexclusive remedies to an Owner in the event of default, but the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under the Ordinance. Upon the happening and continuance of any event of default, any Owner may proceed against the City for the purpose of protecting and enforcing the rights of the Owners under the Ordinance, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained in the Ordinance, or thereby to enjoin any act or thing which may be unlawful or in violation of any right of the Owners or any combination of such remedies. It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Owners. Each right or privilege of any Owner (or trustee thereof) shall be in addition to and cumulative of any other right or privilege and the exercise of any right or privilege by or on behalf of any Owner shall not be deemed a waiver of any other right or privilege thereof. The Owners cannot themselves foreclose on or sell property within the City in order to pay the principal of or interest on the Bonds. However, by a judicially issued writ of mandamus, an Owner can require the City

Council to levy, assess and collect taxes in an amount sufficient to pay the principal of and interest on the Bonds, within the City's taxing limits prescribed by law.

While an Owner could obtain a judgment against the City, such a judgment could not be enforced by a direct levy and execution against property within the City. The enforceability of the rights and remedies of the Owners may further be limited by judicial discretion, the sovereign police powers of the State and laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the City.

## **Registration**

Registration and Payment. The Bonds will be initially issuable only in the name of Cede & Co., as nominee of DTC which will act as securities depository for the Bonds. Principal and semiannual interest on the Bonds will be paid by the Paying Agent/Registrar to Cede & Co., as nominee for DTC, which shall disburse such payments to the DTC Participants who will distribute such payments to the Beneficial Owners as described herein.

For so long as DTC is the securities depository for the Bonds, the term "Owner" shall refer solely to DTC. In the event that DTC is no longer the securities depository for the Bonds, the term "Owner" shall refer to a successor securities depository or the Beneficial Owners of the Bonds which are shown as registered Owners on the registration books of the Paying Agent/Registrar. Principal of the Bonds will be payable to the Owner at maturity or prior redemption upon presentation to the Paying Agent/Registrar. Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to the Owners as shown on the records of the Paying Agent/Registrar on the last calendar day of the month preceding such interest payment date (the "Record Date"), or by such other customary banking arrangements, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

Future Registration. In the event that DTC is no longer the securities depository for the Bonds and a successor securities depository is not appointed by the City, the Bonds may be transferred, registered and assigned only on the registration books of the Paying Agent/Registrar and such registration shall be at the expense of the City except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by execution of an assignment form on the Bonds or by other instruments of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond will be delivered by the Paying Agent/Registrar to the last assignee (the new Owner) in exchange for such transferred and assigned Bond in accordance with the provisions of the Ordinance. Such new Bonds must be in the denomination of \$5,000 for any one maturity or any integral multiple thereof. The last assignee's claim of title to the Bond must be proved to the satisfaction of the Paying Agent/Registrar.

Successor Paying Agent/Registrar. Provision is made in the Ordinance for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the City, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. The Paying Agent/Registrar selected by the City shall be a commercial bank, a trust company organized under the laws of the State of Texas, or other entity duly qualified and legally authorized to serve as and perform the duties and services of paying agent and registrar for the Bonds. A successor Paying Agent/Registrar, if any, shall be determined by the City. Neither the City nor the Paying Agent/Registrar shall be required to issue, transfer or exchange any Obligation or portion thereof, called for redemption prior to maturity, within 45 days prior to the date fixed for redemption.

## **AUTHORITY FOR ISSUANCE**

The Bonds are issued pursuant to authority granted by the Constitution and general laws of the State of Texas, particularly Chapter 1207, Texas Government Code, as amended, and the Ordinance passed by the City Council on the date of the sale of the Bonds, to which reference is herein made.

### Authorized Permanent Improvement Bonds

The following table provides information on the outstanding permanent improvement bond authorizations.

<u>Election Purpose</u>	<u>(amounts in thousands)</u>		
	<u>Authorized Amount</u>	<u>Previously Issued</u>	<u>Remaining to be Issued</u>
1993 Library Mobile and Portable Facilities .....	\$ 570	\$ -	\$ 570
1997 Park and Recreation .....	37,860	35,400	2,460
1999 Street and Transportation.....	85,520	84,440	1,080
2003 Fire.....	4,935	2,250	2,685
2003 Library .....	2,435	1,185	1,250
2003 Police .....	10,935	2,270	8,665
1999 Street and Transportation.....	83,635	-	83,635
1999 Traffic Management Cameras .....	400	-	400
2003 Erosion Control.....	1,900	-	1,900
Total .....	<u>\$228,190</u>	<u>\$125,545</u>	<u>\$102,645</u>

### No Litigation Certificate

The City will furnish to the Underwriters a certificate, dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature has been filed or is pending, as of such date, to restrain or enjoin the issuance and delivery of the Bonds, or which affects the provisions made for their payment or security, or in any manner questions the validity of the Bonds.

### LEGAL HOLDINGS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), the Bonds (i) are negotiable instruments, (ii) are investment securities to which Chapter 8 of the Texas Uniform Commercial Code applies, and (iii) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital and savings and loan associations.

The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The City has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

## **SECTION THREE: THE CITY OF ARLINGTON**

### **INTRODUCTION**

The City is located in the eastern part of Tarrant County, equidistant between Dallas and Fort Worth on Interstate Highways 20 and 30, which are limited access highways. The City's location places it at the geographical center of the Dallas-Fort Worth metropolitan area. The land area of the City contained within its corporate boundary is approximately 98.7 square miles and approximately three quarters of a mile are contained within its extra-territorial jurisdiction.

The City was incorporated January 17, 1920, under the provisions of the Home Rule Amendment to the Texas State Constitution. The City operates under a Council-Manager form of government and provides the following services to the citizens of the City: public safety (police and fire), public works, public welfare, parks and recreation, public health, water and wastewater utilities, and general administrative services.

#### **General**

The City operates under the Council-Manager form of government as established by its Charter. There is a nine member City Council (the "Council") vested with local legislative power. Three council members and the Mayor are elected "at large" and five council members are elected in five single member districts. All members of the Council are elected for terms of two years, with the elections being held in even/odd years for approximately half the seats. The Council elects a Mayor Pro Tem from among its members.

#### **Mayor and City Council**

Policy-making and supervisory functions are the responsibility of and are vested in the Council under provisions of the City Charter. Ordinances, resolutions and zoning decisions are presented at Council meetings at 6:30 p.m. on the second and fourth Tuesday of each month. Council meetings are broadcast on the local cable public access station. A simple majority of the Council constitutes a quorum. The Mayor is required to vote on all matters considered by the Council, but has limited power to veto Council actions that can be overridden by simple majority action of the Council.

#### **Administration**

The City Manager is the administrative head of the municipal government and carries out the policies of the Council. With the assistance of three Deputy City Managers, he coordinates the functions of the various municipal agencies and departments responsible for the delivery of services to residents. The City Manager is appointed by the Council and serves at the pleasure of the Council.

Excluding the positions and offices of the City Attorney and certain others whose appointments are reserved for Council action, the City Manager appoints and removes all City employees. The City Manager exercises control over all City departments and divisions and supervises their personnel; recommends Council legislative actions; advises Council on the City's financial conditions and needs; prepares and submits to Council the annual budget; and performs such duties required by Council.

#### **Certain City Council Appointees**

The Council appoints the City Attorney who has management, charge, and control of all legal business of the City. He is chief legal advisor to the Council, the City Manager, and all City departments and agencies. It is his duty to advise Council concerning the legality of actions by the City and to represent the City in all matters affecting its interest.

The City's Municipal Court Judiciary provides for the adjudication of Class "C" misdemeanor cases, issuance of warrants and the arraignment of prisoners.

The Council also appoints members to certain boards, commissions, and authorities as it deems necessary to the operation of the City.

## **Principal Executive Officers**

Interim City Manager - Mr. Fred Greene - who is a municipal government consultant, was interim deputy city manager in Arlington from June to November of 2004. He previously worked for the City of Arlington from 1985 to 1995, first as the Information Services Director and then as the Management Services Director. Prior to that, Mr. Greene was the City Manager in Garland.

Deputy City Manager – Mr. Ron Olson – with the City since November 2004, he received his B.S. and his M.P.A. from Brigham Young University. He is a member of the International City/County Management Association. Prior to joining the City, he served as the City Manager of Middletown, OH, Belding, MI and West Jordan, UT.

Interim Deputy City Manager – Mr. Trey Yelverton – with the City since 1993, most recently as the Director of the Neighborhood Services Department since 2000. He received an undergraduate degree in Political Science-Public Administration from the University of Texas at Arlington, and a M.P.A. from University of North Texas.

Interim Deputy City Manager - Ms. Fiona Allen – with the City since December 1990, most recently as the Director of Water Utilities Department since 2003. She received her B.S. in Civil Engineering from Texas A&M University and is a Professional Engineer and Registered Sanitarian.

Chief Financial Officer - Ms. Donna Swarb - with the City since November 1998, she received her B.S. from Oklahoma Christian University and is a Certified Public Accountant. Prior to joining the City, she served as Director of Accounting for the University of Texas at Arlington.

Acting Director of Water Utilities – Mr. Rick McCleery – with the City since February 1974, he received his B.A. from the University of Texas at Arlington. Prior to his current appointment, he served as Assistant Director of Utilities for fifteen years.

City Attorney - Mr. Jay Doegey - with the City since March 1986, a graduate of Southern Illinois University, he received his law degree from the University of Texas. Prior to joining the City, he was Senior Assistant City Attorney for Corpus Christi, Texas.

## **Governmental Services and Facilities**

The City provides a full range of municipal services including police and fire, health, parks and recreation, public works, planning, and general administrative services. Water and wastewater services and landfill operations are accounted for in the City's Enterprise Fund.

The City's main municipal facilities include a general administrative building, a public safety building, and a municipal court complex. There are 16 fire stations, two police stations and two substations, a police training center, a fire training center, one main and five branch libraries, 84 city parks, and four municipal golf courses.

Some of the other major facilities provided by the City include a convention center, five recreational centers, two senior citizen centers, and a municipal airport.

The City of Arlington provides a comprehensive range of public services characteristic of its position as the most populous city in the Mid-Cities area of the Dallas-Fort Worth Metroplex. Presented in the following pages is a description of selected City agencies and departments contained within each of the three functional groups.

## **FUNCTIONAL GROUPS**

### **Community Resources Group**

The Deputy City Manager for Community Resources is responsible for oversight and management of five departments. The City functions covered by the Community Resources Group include Public Works, Water Utilities, Planning and Development Services, Parks and Recreation and Convention and Event Services.

The Department of Public Works plans, designs, operates, acquires, constructs and maintains public facilities to ensure the safe and efficient movement of people, goods and storm water. The department is structured in divisions focusing on transportation planning, engineering operations, traffic, signal engineering, geographic information systems, streets and storm water drainage.

The Water Utilities Department is responsible for assuring a continuous supply of high quality water and a safe and adequate wastewater service. Arlington's water treatment operations are nationally known and are recognized for their use of advanced technology. Transmission capacity has been designed to stay ahead of peak demands well into the century. The Department has received awards from the United States Environmental Protection Agency, Texas Municipal Utilities Association, and the American Water Works Association.

The Planning and Development Services Department is responsible for maintaining a long-range Comprehensive Plan which optimizes the physical, fiscal and natural resources of the City in its development. The Building Inspection Division enforces City ordinances regarding general construction, zoning, mechanical, electrical and plumbing activities. The planning staff provides coordination services in an effort to effectively facilitate program development and implementation. Additional responsibilities include developing the capital budget, and providing City staff and the general public with current zoning and inventory maps and a wide range of demographic statistics.

The Parks and Recreation Department is responsible for the operation and maintenance of the City's 4,529 acres of parks, including four municipal golf courses and five recreational centers, two senior citizen centers, and for the management of the Bob Duncan Community Center. It conducts a wide range of high quality, year-round leisure time programs that are responsive to the physical and cultural needs of the citizens of Arlington.

The Convention and Event Services Department is responsible for the management of the Arlington Convention Center. The City contracts with the Arlington Convention and Visitors Bureau for the tourism marketing of the City of Arlington.

### **Administration Group**

The Deputy City Manager for Administration is responsible for the oversight and management of five City departments which include Finance, Human Resources, Information Technology, Support Services, and Administrative Services.

The Department of Finance oversees the financial affairs of the City and ensures the financial integrity of City operations. Departmental services include accounts payable, accounting, budgeting, payroll, purchasing, treasury management, risk management, and maintenance of the City's fixed assets inventory.

The Department of Human Resources is responsible for planning, developing, and administering the functions of employment, testing, training, and employee relations. It also administers the salary and benefit program.

The Department of Information Technology has the responsibility for the processing and electronic storage of information used in the daily business of the City. The Geoprocessing Division is responsible for meeting the automated geographic information and mapping needs of the City.

The Department of Support Services is responsible for fleet operations, building construction management, and real estate services. It also has responsibility for 9-1-1 dispatch services and building maintenance operations. It also oversees the Municipal Court Operations which collects court fines, sets trial dockets, and maintains the Municipal Court records

The Administrative Services Department works with news media, issues publications, and implements programs to educate and inform citizens about City policies and programs. It also oversees the City Secretary's Office which transcribes and maintains official City records, minutes and ordinances, and conducts City elections. The department also includes General Services which provides printing, copying, records management, and mailroom services to the organization.



## **Citizen Services Group**

The Deputy City Manager for Citizen Services is responsible for the oversight and management of the Police, Fire, Library and Neighborhood Services Departments, as well as the Internal Audit Division.

The Police Department is composed of three major units: Operations, Management Services, and Community Services. More than 745 members of the Arlington Police Department deliver law enforcement services using a neighborhood based policing model. The Police Department responded to 142,154 calls for service in fiscal year 2004. In 1989, the Police Department joined an elite number of police agencies nationwide in achieving the certification standards required by the Commission on Accreditation for Law Enforcement Agencies, Inc. The Department was recertified in 1999.

The City's Fire Department, which is responsible for fire prevention, fire suppression and first response emergency medical services, responded to approximately 28,734 calls for service in fiscal year 2004. The 302 employees of the Fire Department provide emergency responses from the City's 16 fire stations. The Emergency Management Office is responsible for coordinating major emergency disaster responses for the City.

The Library Department is responsible for the management and operation of the City's central library and five branch libraries. Circulation exceeds 1.5 million items annually.

The Neighborhood Services Department is responsible for providing a communication and service link between the residents and business owners of Arlington and all City Departments. The Code Enforcement Division is responsible for enforcing city regulations related to the maintenance, sanitation, rehabilitation and conservation of existing housing. The Health Division is responsible for the inspection of food services establishments, public swimming pools and new septic system installations. In conjunction with Tarrant County, it operates the Public Health Center which is responsible for administering immunizations to children and supplying preventive health screening for the elderly. The Health Division is also responsible for Animal Control Services and operations of the City's Landfill. The Housing Division is responsible for administering federal and state grant funds and providing housing assistance to qualified citizens.

The Internal Audit Division monitors internal accounting controls of City assets, monitors security of electronic data and responds to management requests for analyses, appraisals and recommendations.

## ECONOMIC AND DEMOGRAPHIC FACTORS

### Population

The 2004 estimated population for the City of Arlington is 355,634. The following table presents population figures for selected years.

#### Population and Rates of Change Arlington and the United States Selected Years

<u>Year</u>	<u>Arlington</u>	<u>Annual Rate of Change</u>	<u>United States</u>	<u>Annual Rate of Change</u>
1950	7,692	-- %	150,697,361	-- %
1960	44,775	19.3	178,464,236	1.71
1970	90,229	7.3	203,211,926	1.31
1980	160,113	5.9	226,545,805	1.09
1990	261,721	5.0	248,765,170	0.94
2000	332,969 <sup>(1)</sup>	2.4	281,421,906	1.40
2003	351,719	1.9	290,809,777	1.11
2004	355,634	1.1	293,655,404	1.01

<sup>(1)</sup> Actual 2000 Census population.

Source: U.S. Dept. of Commerce, U.S. Census, and the City Planning and Development Services Department Estimates.

### Per Capita Personal Income

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Tarrant County .....	\$31,307	\$31,412	\$30,299
Texas .....	29,039	28,943	28,313
United States .....	30,906	30,527	29,847

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

### Educational Facilities

Public education is provided principally by the Arlington Independent School District (the "AISD") which overlaps all but a small portion of the City. The AISD has six senior high schools, twelve junior high schools, fifty elementary schools, a pre-kindergarten campus, and five alternative schools. Currently, a professional staff of approximately 4,081 serves a peak enrollment of 62,531 students.

The University of Texas at Arlington, founded in 1895, features a current enrollment of 25,297 and offers 202 degree programs at the baccalaureate, master and doctoral levels. The physical plant, located on a 396 acre campus, includes 105 University academic and dormitory buildings.

Tarrant County College opened its Southeast Campus in Arlington during 1996. Enrollment at the 123-acre site features a current enrollment of approximately 9,231 students. The college has 430 employees. The college offers Associate degrees in Arts, and Applied Sciences and various technical certificates.

Summarized below is information concerning the Arlington Independent School District's annual peak enrollment and the percentage changes for the last ten fiscal years.

**Public School Enrollment  
Arlington Independent School District**

<b><u>Fiscal Year</u></b>	<b><u>Peak Enrollment</u></b>	<b><u>Percentage Change</u></b>
1996	52,328	3.64%
1997	53,757	2.67
1998	54,961	2.24
1999	56,234	2.32
2000	57,433	2.13
2001	59,342	3.32
2002	60,760	2.39
2003	62,104	2.21
2004	62,345	0.39
2005	62,531	0.30

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Source: Arlington Independent School District.

**Employment**

**Arlington Major Employers**

<b><u>Name</u></b>	<b><u>Type of Business</u></b>	<b><u>Number of Employees</u></b>
Arlington Independent School District	Public Education	7,905
University of Texas at Arlington	Higher Education	6,161
Six Flags Over Texas	Amusement Park	3,200 <sup>(1)</sup>
General Motors	Automobile Assembly	3,000
City of Arlington	Municipality	2,342
Arlington Memorial Hospital	Medical Center	2,100
Texas Rangers Baseball Club	Sports Entertainment	1,800 <sup>(1)</sup>
Americredit	Finance	1,300
Providian Financial	Financial Services	1,200
National Semiconductor	Semiconductor Manufacturer	1,100
Chase Bank Call Center	Banking Services	1,000
Doskocil Manufacturing	Manufacturer	1,000

<sup>(1)</sup> Includes part-time and peak seasonal employees.

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Source: Arlington Chamber of Commerce. This information will continue to be disclosed as long as it is available from the Chamber of Commerce or other reliable sources.

As illustrated in the table below, Arlington has managed to maintain lower unemployment rates than the United States and the State of Texas. For 2004, the City's unemployment rate averaged 4.9 percent compared to the U.S. rate of 5.6 percent and the Texas rate, which was 5.9 percent.

	<b>Unemployment Rate Annual Average Rates 2000 to 2004</b>				
	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>	<b><u>2001</u></b>	<b><u>2000</u></b>
Arlington .....	4.9%	5.5%	5.4%	3.6%	2.8%
Texas .....	5.9	6.8	6.3	4.9	4.3
United States.....	5.6	6.0	5.8	4.8	4.0

Source: U.S. Bureau of Labor Statistics.

### **Financial Institutions**

There are fifty-five commercial banks, state banks and savings and loan associations in the City.

### **Building Permits**

During the FY 2004 the City issued 6,818 building permits with a total value of \$443,696,832. Presented below is a table covering building permit activity for the last three fiscal years:

	<b>2004</b>		<b>2003</b>		<b>2002</b>	
	<b><u>Number</u></b>	<b><u>Value (000's)</u></b>	<b><u>Number</u></b>	<b><u>Value (000's)</u></b>	<b><u>Number</u></b>	<b><u>Value (000's)</u></b>
Residence	1,707	\$251,102	1,719	\$242,753	2,242	\$288,065
Duplex	21	2,568	22	2,802	18	1,884
(No. of Units)	(42)	-	(44)	-	(36)	-
Apartments	60	36,303	16	18,170	12	13,240
(No. of Units)	(912)	-	(250)	-	(192)	-
Commercial	474	60,439	431	95,549	181	124,820
Institutional	47	49,089	73	51,926	47	109,007
Alterations and						
Additions	188	18,812	158	28,323	529	22,834
Signs	1,431	2,737	1,168	2,227	1,359	2,613
Miscellaneous	<u>2,890</u>	<u>22,647</u>	<u>3,314</u>	<u>38,664</u>	<u>3,612</u>	<u>37,092</u>
Total	<u>6,818</u>	<u>\$443,697</u>	<u>6,901</u>	<u>\$480,414</u>	<u>8,000</u>	<u>\$599,555</u>

Source: City Building Inspections Division.

## **INVESTMENTS**

The City invests its funds in investments authorized by Texas law in accordance with investment policies approved by the City Council of the City. Both state law and the City investment policies are subject to change.

### **Legal Investments**

Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit that are issued by a state or national bank domiciled in the State of Texas, a savings bank domiciled in the State of Texas, or a state or federal credit union domiciled in the State of Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits, (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (9) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less, (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency, (11) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share and (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

### **Investment Policies**

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all City funds must be invested in investments that protect principal, and consistent with the operating requirements of the City, and yield the highest possible rate of return. Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest City funds without express written authority from the City Council or chief financial officer of the City.

## Current Investments

The City's primary investment objective is to provide for the protection of principal with an emphasis on safety and liquidity. The City maintains a comprehensive cash management program that includes prudent investment of its available funds. Investment maturities are targeted to provide available cash for the operating requirements of the City.

As of September 30, ~~2003~~2004, the following percentages of the City's operating funds were invested in the following categories of investments:

<u>Type of Investment</u>	<u>% Invested</u>
U.S. Treasury Notes & Bills	<del>54.1</del> <u>55.9</u> %
Federal Agencies	<del>34.2</del> <u>36.2</u>
Statewide Pool	<del>10.1</del> <u>6.3</u>
Money Market Account	<u>1.6</u>
Total	100.0%

As of September 30, ~~2003~~2004, the weighted average maturity of the City's operating portfolio was ~~264~~228 days and the market value of the operating portfolio was ~~100.1~~799.83 percent of its book value.

## SECTION FOUR: DEBT STRUCTURE AND CAPITAL IMPROVEMENT PROGRAM

### DEBT STATEMENT

Pursuant to the Constitution and laws of the State of Texas and the Charter of the City, the City is authorized to issue general obligation bonds secured by an ad valorem tax on all property within its boundaries subject to local taxation. A tax rate limitation is imposed by the Home Rule Section of the Texas Constitution, Article XI, Section 5, that allows a maximum tax rate of \$2.50 per \$100.00 assessed valuation.

The following table details the ad valorem tax-supported debt of the City as of March 1, 2005:

Total Outstanding Tax-Supported Debt .....	\$293,635,000
Bonds, Series 2005.....	68,000,000
Less Refunded Obligations.....	<u>(68,975,000)</u>
Total Tax-Supported Debt.....	292,660,000
 Less Self-Supporting Debt <sup>(1)</sup> .....	 <u>12,694,902</u>
Net Tax-Supported Debt .....	<u>\$279,965,098</u>

<sup>(1)</sup> See "Debt Service Requirements -- Net Tax-Supported Debt."

Source: City Finance Department.

### DEBT INFORMATION

Information on the City's indebtedness is presented in the following tables. Included is information on key debt ratios, rapidity of principal retirement and selected debt service schedules.

In addition to the currently outstanding ad valorem tax-supported debt previously issued by the City, the City has also issued certain combination ad valorem tax and revenue supported debt and has incurred contractual and other indebtedness and liabilities payable from ad valorem taxation. Additionally, the City has issued revenue bonds and other indebtedness payable from specific pledged revenues. Various other political subdivisions, which overlap all or a portion of the area of the City are also empowered to incur debt to be paid from revenues raised or to be raised through taxation.

**Key Debt Ratios**  
**Fiscal Years 1995-2004**

<b>Fiscal Year</b>	<b>Estimated Population <sup>(1)</sup></b>	<b>Taxable Assessed Valuation Calendar Year <sup>(2)</sup></b>	<b>Net Tax-Supported Debt Year Ended September 30 <sup>(3)</sup></b>	<b>Ratio of Net Tax-Supported Debt</b>	
				<b>Per Capita</b>	<b>Assessed Valuation</b>
<del>1994</del>	<del>276,614</del>	<del>\$ 8,462,723,535</del>	<del>\$215,865,000</del>	<del>\$780</del>	<del>2.55%</del>
1995	281,180	<u>\$ 9,121,092,236</u>	<u>\$225,751,000</u>	<u>\$803</u>	<u>2.48%</u>
1996	286,293	9,703,921,853	234,180,000	818	2.41
1997	289,315	10,180,990,795	248,949,000	860	2.45
1998	293,991	10,868,585,827	251,622,000	856	2.32
1999	309,859	11,415,146,297	268,633,000	867	2.35
2000	332,969 <sup>(4)</sup>	12,435,152,758	276,879,000	832	2.23
2001	339,215	13,513,378,507	286,398,601	844	2.12
2002	346,197	14,344,001,305	284,539,762	822	1.98
2003	351,719	15,018,724,599	283,792,540	807	1.89
<u>2004</u>	<u>355,634</u>		<u>15,599,320,395</u>		<u>280,766,546</u>
	<u>789</u>	<u>1.80</u>			

- (1) Population estimates are based on percent of occupancy in available residences and census data. The method for estimating occupancy rates was revised beginning in 1999.
- (2) Taxable assessed valuation is obtained from the certified value as of September of each year including minimum estimated value of property under protest.
- (3) These figures do not include self-supporting debt.
- (4) Actual 2000 Census population.

Source: City Finance Department.

**Rapidity of Principal Retirement <sup>(1)</sup>**  
**All General Obligation Debt**

<b>Maturing Within</b>	<b>Amount Maturing</b>	<b>Percent of Total Debt Outstanding</b>
5 years .....	<del>\$122,340,000</del> <u>19,375,000</u>	<del>41.14</del> <u>10.8</u> %
10 years .....	210,315,000	<del>70.87</del> <u>1.9</u>
15 years .....	<del>275,535,000</del> <u>273,325,000</u>	<del>92.59</del> <u>3.4</u>
20 years .....	<del>297,820,000</del> <u>292,660,000</u>	100.0

- (1) As of March 1, ~~2003~~ 2005, including the Bonds, excludes the Refunded Obligations.

Source: City Finance Department.





## DEBT SERVICE REQUIREMENTS

The following schedule sets forth the principal and interest requirements on the City's outstanding debt payable from ad valorem taxation pledged thereto.

### General Obligation Bonds Tax-Supported Debt Service Requirements

<b>Fiscal</b>	<b><u>Outstanding Bonds (1)</u></b>		<b><u>Series 2005 Bonds(2)</u></b>		<b><u>Less Refunded Obligations</u></b>		<b>Total</b>
<b>Year</b>							<b>Debt</b>
<b>Ending</b>							<b>Service</b>
<b>9/30</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	
2005	\$ 27,960,000	\$ 7,122,673	\$ -	\$ 1,168,118	\$ -	\$ (1,766,966)	\$ 34,483,825
2006	25,455,000	12,979,683	160,000	3,234,788	(105,000)	(3,533,933)	38,190,538
2007	23,220,000	11,836,691	55,000	3,230,787	-	(3,528,157)	34,814,321
2008	22,205,000	10,752,871	260,000	3,229,413	(205,000)	(3,528,157)	32,714,127
2009	20,320,000	9,649,904	565,000	3,222,912	(515,000)	(3,516,883)	29,725,933
2010	18,980,000	8,660,897	2,065,000	3,205,963	(2,025,000)	(3,490,522)	27,396,338
2011	19,015,000	7,723,482	4,050,000	3,144,012	(4,045,000)	(3,391,723)	26,495,771
2012	18,490,000	6,783,631	5,685,000	2,962,513	(5,700,000)	(3,191,897)	25,029,247
2013	17,750,000	5,855,802	7,390,000	2,696,137	(7,420,000)	(2,907,720)	23,364,219
2014	16,775,000	4,979,615	8,545,000	2,361,063	(8,615,000)	(2,533,015)	21,512,663
2015	15,490,000	4,144,837	7,975,000	1,940,687	(8,070,000)	(2,089,393)	19,391,131
2016	14,350,000	3,384,356	8,565,000	1,549,375	(8,685,000)	(1,675,920)	17,487,811
2017	13,110,000	2,672,591	8,105,000	1,121,125	(8,240,000)	(1,230,345)	15,538,371
2018	11,000,000	2,019,715	6,400,000	715,875	(6,555,000)	(806,100)	12,774,490
2019	9,750,000	1,466,477	5,120,000	402,875	(5,305,000)	(464,650)	10,969,702
2020	7,010,000	973,041	2,360,000	146,875	(2,565,000)	(185,700)	7,739,216
2021	5,370,000	619,825	700,000	28,875	(925,000)	(47,750)	5,745,950
2022	3,685,000	355,319	-	-	-	-	4,040,319
2023	2,495,000	175,776	-	-	-	-	2,670,776
2024	1,205,000	55,731	-	-	-	-	1,260,731
	<u>\$ 293,635,000</u>	<u>\$ 102,212,917</u>	<u>\$ 68,000,000</u>	<u>\$ 34,361,393</u>	<u>\$(68,975,000)</u>	<u>\$(37,888,831)</u>	<u>\$ 391,345,479</u>

(1) As of March 1, 2005. Includes self-supporting debt.

(2) FY 2004 is net of \$305,507.71 of accrued interest.

Source: City Finance Department.

## NET TAX SUPPORTED DEBT

<b>Fiscal Year Ending</b>	<b>Outstanding General Obligation Debt (1)</b>		<b>Self Supporting Debt(2)</b>		<b>Total Debt</b>
<b>9/30</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Service</b>
2005	\$ 27,960,000	\$ 6,523,825	\$ 1,103,454	\$ 366,313	\$ 33,014,058
2006	25,510,000	12,680,538	610,000	540,154	37,040,384
2007	23,275,000	11,539,321	640,000	512,646	33,661,675
2008	22,260,000	10,454,127	670,000	485,265	31,558,862
2009	20,370,000	9,355,933	700,000	457,108	28,568,825
2010	19,020,000	8,376,338	735,000	432,348	26,228,990
2011	19,020,000	7,475,771	744,870	403,234	25,347,667
2012	18,475,000	6,554,247	782,875	369,811	23,876,561
2013	17,720,000	5,644,219	825,234	334,024	22,204,961
2014	16,705,000	4,807,663	870,684	295,336	20,346,643
2015	15,395,000	3,996,131	912,571	252,299	18,226,261
2016	14,230,000	3,257,811	956,680	206,711	16,324,420
2017	12,975,000	2,563,371	1,003,438	158,553	14,376,380
2018	10,845,000	1,929,490	1,048,855	107,544	11,618,091
2019	9,565,000	1,404,702	1,091,241	54,562	9,823,899
2020	6,805,000	934,216	-	-	7,739,216
2021	5,145,000	600,950	-	-	5,745,950
2022	3,685,000	355,319	-	-	4,040,319
2023	2,495,000	175,776	-	-	2,670,776
2024	1,205,000	55,731	-	-	1,260,731
	<u>\$ 292,660,000</u>	<u>\$ 98,685,479</u>	<u>\$ 12,694,902</u>	<u>\$ 4,975,908</u>	<u>\$ 373,674,669</u>

(1) As of March 1, 2005, except including the Bonds and excluding the Refunded Obligations.

(2) Includes \$518,454 of the Permanent Improvement Refunding Bonds, Series 1993 (the “Series 1993 Refunding Bonds”) \$8,236,448 of the Permanent Improvement Refunding Bonds, Series 2005 (the “Series 2005 Refunding Bonds”) which has historically been paid with hotel occupancy tax revenues and \$3,940,000 Combination Tax and Revenue Certificates of Obligation, Series 1998, payable from a combination of hotel occupancy tax revenues and ad valorem taxes as described under “Hotel Occupancy Tax Certificates of Obligation” below. To the extent that such revenues are insufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax.

Source: City Finance Department.

### Hotel Occupancy Tax Certificates of Obligation

The Combination Tax and Revenue Certificates of Obligation, Series 1998, are currently outstanding in the aggregate principal amount of \$3,940,000 and payable from (1) the proceeds of a continuing direct ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City, and (2) a portion of the revenues derived by the City from the hotel occupancy tax. The hotel occupancy tax presently is levied and collected under authority of V.T.C.A., Government Code, Chapter 1504, as amended, and V.T.C.A., Tax Code, Chapter 351.

The Combination Tax and Revenue Certificates of Obligation, Series 1998, pledge the "Surplus Revenues" of the City's hotel occupancy tax levied and collected under authority of V.T.C.A., Government Code, Chapter 1504, and V.T.C.A., Tax Code, Chapter 351, remaining after payment of all current and future debt obligations payable in whole or in part from the City's hotel occupancy tax receipts. The following excerpt from the ordinance authorizing the Combination Tax and Revenue Certificates of Obligation, Series 1998, describes the method of payment:

"The amount of taxes to be provided annually for the payment of principal of and interest on the Certificates shall be determined and accomplished in the following manner:

- (a) the City's annual budget shall reflect (i) the amount of debt service requirements to become due on the Certificates in the next succeeding Fiscal Year of the City, (ii) the amount on deposit in the Interest and Sinking Fund, as of the date such budget is prepared (after giving effect to any payments required to be made during the remainder of the then current Fiscal Year) and (iii) the amount of Surplus Revenues estimated and budgeted to be available for the payment of such debt service requirements on the Certificates during the next succeeding Fiscal Year of the City.
- (b) The amount required to be provided in the succeeding Fiscal Year of the City from ad valorem taxes shall be the amount, if any, the debt service requirements to be paid on the Certificates in the next succeeding Fiscal Year of the City exceeds the sum of (i) the amount shown to be on deposit in the Interest and Sinking Fund (after giving effect to any payments required to be made during the remainder of the then current Fiscal Year) at the time the annual budget is prepared, and (ii) the Surplus Revenues shown to be budgeted and available for payment of said debt service requirements.
- (c) Following the final approval of the annual budget of the City, the governing body of the City shall, by ordinance, levy an ad valorem tax at a rate sufficient to produce taxes in the amount determined in paragraph (b) above, to be utilized for purposes of paying the principal of and interest on the Certificates in the next succeeding Fiscal Year of the City."

The City also will use hotel occupancy taxes to pay a portion of the debt service on the Series 1993 Refunding Bonds in the current fiscal year and the Series 2005 Refunding Bonds in FY 2006. Based on a calculation of the pro rata share of debt service on the Series 1993 Refunding Bonds, the hotel occupancy tax will provide \$518,454 of the total debt service on the Series 1993 Refunding Bonds from October 1, 2004 through fiscal year 2005.

In the fiscal year 2005 Budget, the City estimates that \$3,900,000 of Hotel Occupancy Tax will be received by the City which exceeds the \$1,836,079 of debt service requirements on Combination Tax and Revenue Certificates of Obligation, Series 1998, and the allocable portions of Series 1993 Refunding Bonds for fiscal year 2005. As shown in the section hereof entitled "Tax Data - Hotel Occupancy Tax Receipts," Hotel Occupancy Tax Revenues in the fiscal years 2000 through 2004 have been more than adequate to pay debt service requirements on the Hotel Occupancy Tax Certificates and Bonds.

### **Tax Adequacy**

The following analysis as of March 1, 2005, assumes 98 percent collection of ad valorem taxes levied against the City's fiscal year 2005 Net Assessed Valuation, and future Hotel Occupancy Tax collections at a level sufficient to pay debt service on the Combination Tax and Revenue Certificates of Obligation, Series 1998, and the allocable portion of the Series 1993 Refunding Bonds.

Average Annual Requirement (2005/2024) .....	\$18,683,733
A tax rate of \$.1223 per \$100 assessed valuation produces .....	18,711,697
Average Annual Requirement (2006/2015) .....	26,706,083
A tax rate of \$.1747 per \$100 assessed valuation produces .....	26,706,972
Maximum Annual Requirement (2006) .....	37,040,384
A tax rate of \$.2423 per \$100 assessed valuation produces .....	37,041,210

## SHORT-TERM BORROWING

The City does not borrow on a short-term basis for working capital purposes. The City's policy is to maintain its fund balances at levels that provide sufficient cash flow for working capital purposes.

## ESTIMATED OVERLAPPING DEBT

The following table indicates the indebtedness, defined as outstanding obligations payable from ad valorem taxes, of governmental entities within which the City is located or with which taxable property is jointly levied against, and the estimated percentages and amounts of such indebtedness attributable to taxable property within the City. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance purposes. Furthermore, certain of the entities listed may have issued additional Bonds since the date stated in the table, and such entities may have programs requiring the issuance of substantial additional amounts of indebtedness, the amount of which cannot be determined.

<b>Overlapping Debt (amounts in thousands)</b>				
<b><u>Taxing Jurisdiction</u></b>	<b><u>Amount</u><sup>(1)</sup></b>	<b><u>As of</u></b>	<b><u>Percent</u><sup>(2)</sup></b>	<b><u>Amount</u></b>
City of Arlington <sup>(3)</sup> .....	\$279,965	2-23-05	100.00 %	\$279,965
Arlington Independent School District .....	554,519	8-31-04	78.16	433,412
Tarrant County .....	173,989	9-30-04	18.08	31,457
Tarrant County Junior College District .....	69,066	8-31-04	18.08	12,487
Tarrant County Hospital District .....	39,403	9-30-04	18.08	7,124
Kennedale Independent School District .....	39,400	8-31-04	20.91	8,239
Mansfield Independent School District .....	411,837	8-31-04	11.66	48,020
Hurst-Euless-Bedford I.S.D. ....	231,739	8-31-04	3.90	<u>9,038</u>
Total Direct and <sup>(4)</sup> Overlapping Debt .....				<u>\$829,742</u>
Overlapping debt as a percent of 2005 assessed value .....		5.3%		
Overlapping debt per capita .....		\$2,333		
Per capita overlapping debt as a percent of 2002 County per capita personal income .....		7.5%		

<sup>(1)</sup> Source: Net debt outstanding per representative of each jurisdiction.

<sup>(2)</sup> Source: Texas Municipal Reports compiled and published by Municipal Advisory Council of Texas.

<sup>(3)</sup> See "Debt Statement."

<sup>(4)</sup> Substantially all of the City's residents are located within the Arlington I.S.D. Although Fort Worth I.S.D. also has taxing jurisdiction within a portion of the City, reference to this district has been intentionally omitted because less than 1 percent of its total debt is paid by residents of the City.

## CAPITAL IMPROVEMENT PROGRAM

The City's Capital Improvement Program ("CIP") provides for multi-year improvements to the City's public facilities along with the means of financing these improvements. The City's Capital Improvement Program, prepared annually, is primarily driven by recent bond election results. The City's most recent permanent improvement bond election was held on November 4, 2003. Two propositions were on the ballot totaling \$84,035,000 were approved by the voters. The two approved propositions were street and transportation improvements (\$83,635,000) and traffic management cameras (\$400,000). Combined with the authorized but unissued bonds from prior elections, the City has \$102,645,000 in unissued permanent improvement bonding authority.

The approved CIP is the result of a process that balances the need for public facilities against the fiscal capability of the City to provide for those needs. The City's tax-supported CIP for fiscal year 2005 is budgeted at \$33,940,000. The projects include \$17,700,000 for Streets and Transportation improvements, \$3,915,000 for Park and Recreation improvements, \$2,525,000 for Technology System improvements, \$2,850,000 for Municipal office improvements, \$250,000 for Library improvements, and \$6,700,000 for Police facilities. The Park and Recreation total includes \$2,770,000 that is part of a planned May 2005 bond election. The sale of this portion of the bonds is contingent on voter approval. The City is planning a \$28,565,000 permanent improvement bond sale and a \$5,375,000 certificate of obligation to finance the tax-supported CIP.

**Capital Improvement Program\***  
**Bond Elections (1993, 1997, 1999, 2003, and Planned 2005)**  
**and Planned 2005 Certificate Sale**  
**(amounts in thousands)**

<b><u>Sources</u></b>	<b><u>Estimated Total Costs</u></b>	<b><u>Total Financing To Date</u></b>	<b><u>Planned Issuance</u></b>	<b><u>Total Amount Remaining</u></b>	<b><u>Percent of Total Amount Remaining</u></b>
General Obligation Bonds	\$ 154,675	\$ 52,030	\$ 25,795	\$ 76,850	100.00%
2005 Certificates of Obligation	5,375	-	5,375	-	-
Park Bonds Pending Authorization	<u>2,770</u>	<u>-</u>	<u>2,770</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 162,820</u>	<u>\$ 52,030</u>	<u>\$ 33,940</u>	<u>\$ 76,850</u>	<u>100.00%</u>

**Capital Improvement Program\***  
**Bond Elections (1993, 1997, 1999, 2003, and Planned 2005)**  
**and Planned 2005 Certificate Sale**  
**(amounts in thousands)**

<b><u>Uses</u></b>	<b><u>Estimated Total Costs</u></b>	<b><u>Total Financing To Date</u></b>	<b><u>Planned Issuance</u></b>	<b><u>Total Amount Remaining</u></b>	<b><u>Percent of Total Amount Remaining</u></b>
Library	\$ 3,005	\$ 1,185	\$ 250	\$ 1,570	2.0%
Parks and Recreation	37,860	35,400	1,145	1,315	1.7
Streets, Storm Drainage and Transportation	95,640	10,925	17,300	67,415	87.7
Police	10,935	2,270	6,700	1,965	2.6
Fire	4,935	2,250	-	2,685	3.5
Erosion Control	1,900	-	-	1,900	2.5
Traffic Mgmt. Cameras	400	-	400	-	-
Parks Pending Authorization	2,770	-	2,770	-	-
Police Cert. of Obligation	2,850	-	2,850	-	-
Support Serv. Cert. of Obligation	<u>2,525</u>	<u>-</u>	<u>2,525</u>	<u>-</u>	<u>-</u>
Total	<u>\$162,820</u>	<u>\$ 52,030</u>	<u>\$ 33,940</u>	<u>\$ 76,850</u>	<u>100.0%</u>

\* Includes \$2,770,000 for parks from planned May 2005 bond election.

## **SECTION FIVE: FINANCIAL INFORMATION**

### **BASIS OF ACCOUNTING AND ACCOUNTING STRUCTURE**

The accounting records of the City are maintained on the modified accrual basis of accounting for the General Fund, Special Revenue Funds, Capital Projects Funds and Trust and Agency Funds and on the accrual basis of accounting for the Enterprise Funds, and the Internal Service Funds. In general, under the modified accrual basis of accounting, revenues are recorded as received in cash except for material revenues considered to be both measurable and available to finance current year appropriations, which are recognized as revenue when earned. Expenditures are recorded in the period in which liabilities are incurred. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when liabilities are incurred without regard to receipts or disbursements of cash.

#### **Certificate of Achievement**

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Arlington for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2003. The City has been awarded a Certificate of Excellence for its CAFR for the year ended April 30, 1966 and then annually from 1977 to 2003. The City has also received GFOA's Award for Distinguished Budget Presentation for fiscal years 1986 through 2004.

### **ACCOUNTING STANDARDS**

In fiscal year 2002, the City adopted three new statements of financial accounting standards and one new interpretation issued by the Governmental Accounting Standards Board (GASB):

The basic financial statements are prepared in conformity with GASB Statement No. 34 (Statement No. 34) which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund or account group, but distinguish between the City's governmental activities and activities of its discretely presented component units on the statement of net assets and statement of activities. Significantly, the City's statement of net assets includes both noncurrent assets and noncurrent liabilities of the City, which were previously recorded in the General Fixed Assets Account Group and the General Long-term Debt Account Group. In addition, the government-wide statement of activities reflects depreciation expenses on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus for governmental funds. The accrual basis of accounting and the economic resources measurement focus is utilized by proprietary fund types and the pension trust fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Accordingly, the accounting and financial reporting of the City's General Fund, Capital Projects Funds and Debt Service Funds is similar to that previously presented in the City's financial statements, although the format of financial statements has been modified by Statement No. 34. The following major funds are used by the City:

#### **Governmental Funds**

The following is a description of the Governmental Funds of the City:

General Fund accounts for several of the City's primary services (Public Safety, Public Works, Public Health, Public Welfare, Parks and Recreation, etc.) and is the primary operating unit of the City. Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. Street capital project fund accounts for the financing and acquisition of right of way and construction of streets and related facilities. Funds are provided primarily through bond sales, and interest earnings. Other Governmental Funds is a summarization of all of the nonmajor governmental funds.

## **Proprietary Funds**

The following is a description of the major Proprietary Funds of the City:

Water and Sewer Fund accounts for the operation of the City's water and sewer utility. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. The Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for revenue bonds and obligations under capital leases when due throughout the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the Fund. Sanitary Landfill Fund accounts for the operations of the City's landfill. Customers are billed monthly at a rate sufficient to cover the cost of providing such service.

## **Other Fund Types**

The City additionally reports for the following Fund types:

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, generally on a cost reimbursement basis. Agency Funds are used to account for assets held by the City in an agency capacity for individuals, local law enforcement agencies or developers. Pension Trust Fund is used to account for the accumulation of resources to be used for the retirement benefit payments to employees of the City.

## **Component Units**

Component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component Units discretely presented include the Arlington Sports Facilities Development Authority, Inc., the Arlington Housing Authority, the Arlington Housing Finance Corporation, the Arlington Convention & Visitors Bureau, Inc., and the Arlington Industrial Development Corporation. The following component units have been blended with those of the City because (i) their governing bodies are substantially the same as the governing body of the City or (ii) the component unit provides services entirely to the City. These are the Arlington Property Finance Authority, Inc., Thrift Savings Plan, Disability Income Plan and Part-Time Deferred Income Trust.



## CERTAIN OPERATIONS OF THE GENERAL FUND

The General Fund of the City is that accounting entity which is used to account for all transactions which are not accounted for in another fund and which, specifically, receives all revenues and records all expenditures relating to the ordinary operations of general government. Other major funds of the City are the Special Revenue Funds, Capital Project Funds, the Enterprise Funds, and the Debt Service Funds.

Summaries for fiscal years 2000 to 2004 have been compiled from the Comprehensive Annual Financial Reports of the City, which were examined by the City's independent auditors. These summaries should be read in conjunction with their related financial statements and notes.

### Consolidated Financial Statements-General Fund Fiscal Year Ended September 30 (amounts in thousands)

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
<b>Beginning Fund Balance</b>	\$ 20,806	\$ 20,707	\$ 21,661 <sup>(1)</sup>	\$ 18,221	\$ 19,095
<b>Revenues</b>					
Ad Valorem Taxes	58,972	51,958	46,026	40,593	36,522
Sales Tax	39,664	38,695	41,173	44,436	43,384
Other Taxes	4,021	3,718	3,649	3,487	3,247
Franchise Fees	29,371	29,163	29,635	31,201	26,639
Service Charges	4,696	5,388	5,648	4,822	3,551
Interest	380	499	803	1,241	1,222
All Other	<u>15,004</u>	<u>14,716</u>	<u>15,522</u>	<u>10,283</u>	<u>9,036</u>
Total Revenues	<u>152,108</u>	<u>144,137</u>	<u>142,456</u>	<u>136,063</u>	<u>123,601</u>
<b>Expenditures</b>					
Total Expenditures	<u>152,923</u>	<u>146,946</u>	<u>144,316</u>	<u>133,496</u>	<u>127,280</u>
<b>Net Revenues Over (Under)</b>					
<b>Expenditures</b>	(815)	(2,809)	(1,860)	2,567	(3,679)
Operating Transfers	<u>5,326</u>	<u>2,908</u>	<u>906</u>	<u>(1,129)</u>	<u>2,805</u>
<b>Ending Fund Balance</b>	<u>\$ 25,317</u>	<u>\$ 20,806</u>	<u>\$ 20,707</u>	<u>\$ 19,659</u>	<u>\$ 18,221</u>

For the fiscal year ended September 30, 2004, the General Fund had revenues and transfers greater than expenditures by \$4,511,000, or 2.97 percent of General Fund revenues, leaving a General Fund balance at September 30, 2004, of \$25,317,000. The following table presents a comparison of the City's General Fund balance for fiscal years 2000 to 2004.

**General Fund Balance**  
**Fiscal Year Ended September 30**  
(amounts in thousands)

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
General Fund Balance:					
Reserved for					
Encumbrances	\$ 1,786	\$ 656	\$ 1,526	\$ 1,379	\$ 1,129
Inventory	113	112	279	336	489
Prepays	46	67	48	24	39
Infrastructure Maintenance	-	-	-	-	350
Park Acquisition	-	-	-	-	-
Utility Rate Case	500	500	500	500	500
Special Transportation	-	-	-	-	-
Net Increase in Fair Value	-	-	-	-	-
Unreserved – Designated for					
Telecommunications	329	102	754	357	195
Working Capital	13,585	12,981	12,195	11,389	11,335
Subsequent Years' Expenditures	5,018	4,821	3,429	2,633	2,633
Arbitrage	38	320	824	-	-
Compensated absences	1,411	1,247	1,152	-	-
Other Post Employment Balances	1,718				
Undesignated	<u>773</u>	<u>-</u>	<u>-</u>	<u>3,041</u>	<u>1,551</u>
Total General Fund Balance	<u>\$ 25,317</u>	<u>\$ 20,806</u>	<u>\$ 20,707</u>	<u>\$ 19,659</u>	<u>\$ 18,221</u>
General Fund Balance as a					
Percent of General Fund Expenditures	16.56%	14.16%	14.35%	14.73%	14.32%

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Source: Fiscal Year 2000 to 2004 Comprehensive Annual Financial Reports and Finance Department.

## **DEBT SERVICE FUND BUDGET**

**Fiscal Year 2005**

**(amounts in thousands)**

Beginning Fund Balance	\$ 2,993
Property Tax Revenue	38,321
Interest Revenue	383
Transfers In <sup>(1)</sup>	2,980
Debt Service Expenditures	<u>(42,201)</u>
Estimated Ending Fund Balance	<u>\$ 2,476</u>

<sup>(1)</sup> Includes transfers to the Debt Service Fund from the Convention and Event Services Fund, Park Performance Fund, Landfill Fund, and Water and Wastewater Fund.

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Source: Fiscal Year 2005 Budget and Finance Department.

## **CURRENT OPERATING BUDGET**

On September 27, 2004, the City Council adopted a total Budget for fiscal year 2005 with expenditures of \$326,517,847. The adopted General Fund Budget reflects a property tax rate of \$0.6480/\$100.

The adopted Budget for fiscal year 2005 maintains core services levels and programs within tight financial constraints. An across-the-board compensation increase of 1.38 percent and a one time 5 percent bonus payment were included in the adopted budget. The overall value of taxable property in the City increased by 3.9 percent, from \$15.019 billion in fiscal year 2004 to \$15.599 billion in fiscal year 2005. The adopted Budget authorizes City government personnel of 2,342 full-time positions, an increase of 14 positions from the fiscal year 2004 adopted budget.

The following table shows the City's estimated revenues and budgeted expenditures for fiscal year 2005, as reported in the adopted Budget.

**Estimated Revenues and Budgeted Expenditures**  
**Fiscal Year 2005 Budget <sup>(1)</sup>**  
**(amounts in thousands)**

	<b><u>Fiscal Year 2005 Budget</u></b>	<b><u>Percent of Fiscal Year 2005 Budget</u></b>
<b>REVENUES</b>		
Property Taxes	\$ 100,447	30.8%
Sales Tax	39,080	12.0
Other Taxes	1,410	0.4
Licenses and Permits	4,749	1.5
Utility Franchise Fees	29,469	9.1
Fines and Forfeitures	10,615	3.3
Leases and Rents	3,026	0.9
Services Charges	11,718	3.6
Miscellaneous Revenues	1,878	0.6
Water and Sewer Fund Revenues	91,886	28.2
Convention & Event Services Fund Revenues	6,256	1.9
Sanitary Landfill Fund	7,959	2.4
Street Maintenance Fund	9,796	3.0
Park Performance Fund	<u>7,342</u>	<u>2.3</u>
Total Revenues	<u>\$ 325,631</u>	<u>100.0%</u>
<b>EXPENDITURES</b>		
General Government	\$ 9,557	2.9%
Police	66,010	20.2
Fire	34,996	10.7
Neighborhood Services	5,016	1.5
Planning and Development Services	4,445	1.4
Parks and Recreation	15,306	4.7
Public Works	12,774	3.9
Library	5,831	1.8
Administrative and Support Services	19,920	6.1
Water and Sewer Fund	80,672	24.7
Convention & Event Services Fund	5,391	1.7
Sanitary Landfill Fund	4,512	1.4
Park Performance Fund	7,293	2.2
Street Maintenance Fund	12,594	3.9
Debt Service	<u>42,201</u>	<u>12.9</u>
Total Expenditures	<u>\$ 326,518</u>	<u>100.0%</u>

<sup>(1)</sup> All funds combined, excludes interfund transfers.

Source: Fiscal Year 2005 Budget.

## **GENERAL FUND REVENUES AND EXPENDITURES**

The General Fund is the primary operating Fund maintained by the City to account for revenue derived from City-wide ad valorem taxes, other local taxes, licenses, fees, permits, and certain other miscellaneous revenues. General Fund expenditures are the cost of general City government. The following is a discussion of the General Fund revenue structure and major classifications of General Fund expenditures.

### **TAX DATA**

#### **General**

A major source of operational revenue and funds for tax-supported debt service payments is the receipts from ad valorem taxation. The following is a recapitulation of (1) the authority for taxation, including methodology, limitations, remedies and procedures; (2) historical analysis of collection and trends of tax receipts and provisions for delinquencies; and (3) an analysis of (a) the base, (b) the principal taxpayers, and (c) other ad valorem taxation that may compete with the City's tax collections. Additionally, sales tax and hotel occupancy tax authority and collections are described.

#### **Authority for Ad Valorem Taxation**

Article XI, Section 5 of the Texas Constitution, applicable to cities of more than 5,000 in population, limits the ad valorem tax rate to \$2.50 per \$100 assessed valuation for all city purposes and makes no allocation of such tax rate between debt service requirements and expenses of general city government. The City operates under a Home Rule Charter that adopts these provisions of the Constitution. For fiscal year 2005, the Council levied a tax rate equal to \$0.6480 per \$100 assessed valuation of which \$0.2457 was allocated to pay debt service on outstanding tax-supported bonds and notes. See "Tax Rate Distribution."

#### **Truth-in-Taxation Limitation**

The effective tax rate is the rate that will produce the same amount of operating revenue that the City levied the prior year on the same property. If the tax rate adopted for the next succeeding fiscal year exceeds the effective tax rate by more than eight percent, the qualified voters of the City may petition for an election to determine whether to limit the increase of the tax rate to no more than eight percent. The City is required to hold public hearings to permit voter discussion should the proposed tax rate levy taxes in excess of the amount levied the prior fiscal year.

#### **Property Subject to Taxation**

All real property and tangible personal property in the City is subject to taxation except for certain mandated and discretionary exemptions granted pursuant to State law and the Property Tax Code. The Property Tax Code mandates exemption of public property, property exempt by federal law from ad valorem taxes, household goods, personal effects of an individual, and certain property of religious and charitable organizations, schools, and disabled veterans. The Property Tax Code authorizes cities to exempt the residential homestead of those over 65 years of age and the disabled. The Council currently exempts up to \$60,000 of the appraised value of such residential homesteads. The FY 2005 tax rolls reflect the Council granting persons 65 years of age and older, disabled persons and disabled veterans exemptions totaling \$704,261,621.

Article VIII, Section 1-b of the Texas Constitution provides the City with the authority to exempt a percentage of the market value of residential homesteads. The percentage may not exceed 20 percent in FY 2005 and each subsequent year. Where an ad valorem tax has previously been pledged for the payment of debt, the Council may continue to levy and collect the tax against the value of the exempt homesteads until the debt is discharged if the cessation of the levy would impair the obligation. The Council granted 20 percent residential homestead exemptions on the FY 2005 tax roll, which totaled \$1,734,182,843, or 11.1 percent of the FY 2005 assessed valuation. In addition, \$67,741,299 of value was reduced from the FY 2005 tax rolls in accordance with State law to reflect value of agricultural land based upon production rather than market value.

Section 23.83 of the Property Tax Code allows taxes to be deferred on property that is restricted to scenic use. Deferrals were first claimed under this section in 1990. The FY 2005 tax roll reveals a value loss of \$2,593,148 due to scenic deferrals.

Chapter 312 of the Property Tax Code allows the Council to designate reinvestment zones and to enter into tax abatement agreements with property owners within these zones. The abatement value loss on the FY 2005 tax roll is \$331,596,017. A schedule of abated values for the FY 2005 tax roll by property owners is as follows:

<b><u>Property Owner</u></b>	<b><u>FY 2005 Abatement Value</u></b>
General Motors	\$194,850,109
Doskocil Manufacturing	25,471,556
ACF Investments 3939 Embarcadero	17,345,071
National Semiconductor	14,951,268
ACF Investments 4001 Embarcadero	14,675,372
J P Morgan Chase Bank	14,293,935
Crow-Westway Associates	8,838,831
Prologis/Mackie	7,713,724
Providian Financial/Collins Walton Buckner	7,367,370
Verizon Wireless/Dallas MTA	6,263,530
Americredit Leases	3,736,812
Raz Property Company	2,724,743
Office Depot	2,692,977
Primera	2,687,746
For 1031 Arlington LLC etal	2,267,402
McLane Food Service	1,991,469
Lear Operations	1,974,817
TDS	1,749,285
<b>Totals</b>	<b><u>\$331,596,017</u></b>

With the passage of Proposition 5 on November 7, 1989, the State Constitution was amended to allow for the taxation of temporarily located inventory on a local option basis. To continue taxation of this so called "freeport" property, the governing body of a taxing entity, such as the Council, was required to take action prior to January 1, 1990. The Council adopted an ordinance, which allowed for the continued taxation of "freeport" property for 1990 and subsequent years. On January 13, 1998, the Council repealed the aforementioned ordinance, which has the effect of exempting "freeport" property from taxation effective January 1, 1999. This exemption is irrevocable under current State law. The amount of "freeport" assessed value subject to exemption for the FY 2005 tax roll was \$237,437,549.

### **Tax Increment Financing District**

The City Council adopted an ordinance on November 3, 1998, establishing a tax increment financing district (the "TIF District") encompassing approximately 533 acres in the City's downtown area. The TIF District took effect on January 1, 1999 and will terminate on December 31, 2018. The City Council can terminate the TIF District at an earlier date by subsequent ordinance. The tax increment base will be the total net appraised value of all taxable property located in the reinvestment zone on January 1, 1998. The TIF District has a nine-member board of directors, five appointed by the City of Arlington and four members appointed by the other taxing jurisdictions. The board of directors shall prepare and adopt a project plan and reinvestment zone financing plan for the TIF District and submit such plans to the City for its approval. All eligible tax jurisdictions are participating for the full amount of their maintenance and operations portion of their respective tax rates. The tax increment payments to the TIF District for FY 2004 totaled \$574,070.

### **Appraisal of Taxable Property**

The Property Tax Code established a county-wide appraisal district in each county of the State. Each appraisal district assumed the responsibility of appraising all taxable property and preparing and certifying the tax rolls for each unit of government that levies ad valorem tax in that county. Under the 1981 amendment to the Property Tax Code, the City is now entitled to vote, in the proportion to its taxes levied in Tarrant County, in selecting the governing board of appraisal

district. A city, or other taxing unit, may challenge the appraisals assigned to property within its jurisdiction under certain limited circumstances. These entities can also sue the appraisal district to compel it to comply with the Property Tax Code.

The City's FY 2005 appraisal roll was prepared and certified by the Tarrant Appraisal District's Chief Appraiser and Appraisal Review Board. Such appraisal rolls are used by the City in establishing its tax rate. The City Council is responsible for setting the rate, levying and collecting the taxes. All taxable property in the City is presently valued on the City's tax roll at 100 percent of its estimated market value as of January 1, 2004. The rate of taxation was determined and set by the Council based upon the January 1, 2004 valuation. Taxes are due October 1 of the subject year and become delinquent after January 31 of the following year, except for a split payment option. Under the split payment option, adopted by the City beginning with fiscal year 2003, taxpayers can make one-half payment prior to December 1, and the final one-half payment prior to July 1 of the following year without penalty or interest. Since October 1, 2002 ad valorem taxes for the City have been collected by the Tarrant County Tax Assessor-Collector.

### **City's Rights in the Event of Tax Delinquencies**

In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

### **Tax Limitation Election**

A City election was approved on February 5, 2005, which adopted a homestead property tax limitation for disabled individuals and individuals 65 years of age or older. This limitation on the residential homesteads of qualifying property owners is defined under the Texas Property Tax Code, section 11.621. The limitation can not be repealed by any action of the City or through an election of the City under current state law. The homestead property tax ceiling limits the amount of taxes paid to the City based on the taxes paid in the first year that the property qualifies for the disabled exemption or the 65 years of age or older exemption. The limitation is a dollar amount and does not increase unless improvements are made to the residential homestead. For those property owners who currently qualify or will qualify in 2005 for either exemption, the tax ceiling will be set based on the taxes levied in September 2005 by the City. The tax ceiling carries forward to a surviving spouse age 55 or older of an individual who is 65 years of age or older.

The City has 67,471 residential homestead properties in FY 2005 and 12,475 (18.5%) of these properties received an exemption for a disabled individual or individual 65 years of age or older.

## Tax Revenue

The following table shows the City's principal tax revenues by source for each of the last five fiscal years. Growth in total tax revenues has averaged 4.5 percent per year over the last five years.

### Principal Tax Revenue by Source Fiscal Years 2000 to 2004 (amounts in thousands)

<u>Fiscal Year</u>	<u>General Fund Ad Valorem Taxes</u>	<u>General Fund Sales Tax</u>	<u>Franchise Fees</u>	<u>Hotel Occupancy Tax</u>	<u>Other Taxes</u>	<u>Total</u>
2000	\$36,522	\$43,384	\$26,639	\$4,590	\$3,247	\$114,382
2001	40,593	44,436	31,201	4,676	3,487	124,393
2002	46,026	41,173	29,635	4,118	3,649	124,601
2003	51,958	38,695	29,163	3,910	3,718	127,444
2004	58,972	39,664	29,371	3,981	4,021	136,009

Source: City Finance Department.

The following table sets forth the assessed value of all taxable property less exemptions in the City for each of its five most recent fiscal years. Tax-exempt properties owned by Federal and State governments, churches, and schools, totaling \$1,849,784,559 for fiscal year 2005, are not included in the table. The Tarrant Appraisal District certified appraisal of taxable property less exemptions for fiscal year 2005 is \$15,599,320,395. This value is obtained from the certified taxable value as of September of each year including minimum estimated value of property under protest.

### Historical Taxable Assessed Value<sup>(1)</sup> Fiscal Years 2001 to 2005

<u>Fiscal Year</u>	<u>Real Property Taxable Assessed Value</u>	<u>Percentage Change From Prior Year</u>	<u>Personal Property Taxable Assessed Value</u>	<u>Percentage Change From Prior Year</u>	<u>Total Taxable Assessed Value</u>	<u>Percentage Change From Prior Year</u>
2001	\$10,344,385,656	9.27%	\$2,090,767,102	7.29%	\$12,435,152,758	8.94%
2002	11,304,546,333	9.28	2,208,805,174	5.65	13,513,378,507	8.67
2003	12,099,808,133	7.03	2,244,193,172	1.60	14,344,001,305	6.15
2004	12,899,757,009	6.61	2,118,967,590	(0.56)	15,018,724,599	4.70
2005	13,349,818,463	3.49	2,249,501,932	6.16	15,599,320,395	3.86

<sup>(1)</sup> Real and personal property is assessed at 100 percent of fair market value. Total taxable assessed value excludes abated value.

Source: City Finance Department.



**Tax Rate Distribution  
Fiscal Years 2001 to 2005**

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
General Fund .....	\$.4023	\$.3879	\$.3879	\$.3620	\$.3429
Debt Service Fund .....	<u>.2457</u>	<u>.2601</u>	<u>.2601</u>	<u>.2720</u>	<u>.2911</u>
Total .....	<u>\$.6480</u>	<u>\$.6480</u>	<u>\$.6340</u>	<u>\$.6340</u>	<u>\$.6340</u>

Source: City Finance Department.

**Collection Ratios  
Fiscal Years 2000 to 2004**

<u>Fiscal Year</u>	Net Assessed <u>Valuation</u> <sup>(1)</sup>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>% Collections</u> <sup>(2)</sup>		
				<u>Current Year</u>	<u>Prior Years</u>	<u>Year Ending</u>
2000.....	\$11,415,146,297	0.6380	\$72,828,633	98.48%	100.48%	9-30-00
2001.....	12,435,152,758	0.6340	78,838,868	98.56	100.82	9-30-01
2002.....	13,513,378,507	0.6340	85,674,820	98.30	99.92	9-30-02
2003.....	14,344,001,305	0.6480	90,940,968	98.15	99.89	9-30-03
2004.....	15,018,724,599	0.6480	97,321,335	99.60	101.26	9-30-04

<sup>(1)</sup> Net Assessed Valuation is the certified roll as of September of each year including minimum estimated value of property under protest.

<sup>(2)</sup> Prior year's collections include current year collections, prior year delinquent collections and all penalty and interest collections.

Source: City Finance Department.

**Analysis of Delinquent Taxes  
as of September 30, 2004**

<b><u>Fiscal Year</u></b>	<b><u>Tax Levy</u></b>	<b><u>Uncollected</u></b>	<b><u>Percentage of Levy</u></b>
2004.....	\$90,940,968	\$ 674,544	.74%
2004.....	7,321,335	1,487,252	1.53
2003.....	90,940,968	674,544	.74
2002.....	85,674,820	446,317	.52
2001.....	78,838,868	285,918	.36
2000.....	72,828,633	249,102	.34
1999.....	69,341,578	195,615	.28
1998.....	64,954,721	206,419	.32
1997.....	62,105,100	198,093	.32
1996 .....	58,374,990	121,337	.21
1995 .....	54,305,297	141,023	.26
1994 .....	53,777,666	158,240	.29
Prior to 1994 .....	N/A	<u>925,913</u>	N/A
		<u><u>\$5,089,773</u></u>	

Source: City Finance Department.

**Tax Base Distribution  
Fiscal Years 2001 to 2005**

	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>	<b><u>2001</u></b>
Residential	62.2%	61.8%	59.5%	57.1%	56.6%
Commercial, Industrial, Retail	35.7	35.9	37.8	39.8	39.9
Undeveloped	2.1	2.3	2.7	3.1	3.5

Source: City Finance Department.

### Top Ten Taxpayers

<u>Name</u>	<u>Type of Business</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Motors Corporation <sup>(1)</sup>	Auto Assembly	\$ 188,003,133	\$ 202,560,640	\$ 204,781,888
Oncor Electric Delivery Co.	Public Utility	141,840,575	147,290,009	151,139,100
Parks at Arlington LP	Real Estate Holdings	126,550,000	122,381,889	75,736,199
McKesson Drug Co.	Pharmaceutical	107,250,236	181,900,322	-
Southwestern Bell Telephone Co.	Public Utility	78,646,166	92,064,327	101,792,723
Texas Flags/Six Flags Over Texas	Amusement Park	70,400,254	80,676,418	75,956,198
National Semiconductor <sup>(1)</sup>	Computer Chip Mfg.	64,188,696	33,626,030	63,607,152
HCA – Arlington Inc.	Healthcare	63,434,113	35,300,000	-
USMD Surgical Hospital	Healthcare	35,561,251	-	-
Lincoln Square, Ltd	Real Estate Holdings	33,633,400	-	-
Don Davis	Auto Dealership & Real Estate Holdings	-	50,112,393	49,508,130
EQR - Limited Partnership	Real Estate Holdings	-	32,265,000	44,446,796
Chase Bank of Texas	Banking	-	-	43,987,200
TCI Public Utility	Public Utility	-	-	37,597,754
Total		<u>\$ 909,507,824</u>	<u>\$ 978,177,028</u>	<u>\$ 848,553,140</u>
Percentage of the above ten taxpayers of total tax rolls.		5.83%	6.51%	5.91%

<sup>(1)</sup> See Tax Data: Property Subject to Taxation and Assessed Value of Tax Abatement Agreement for 2005 abatement values.

Source: City Finance Department.

## Tax Abatements

### Assessed Value of Tax Abatement Agreements

<u>Fiscal Year</u>	<u>Total Assessed Valuation Abated</u>
1996	\$132,913,633
1997	191,058,280
1998	257,260,096
1999	369,707,519
2000	377,017,981
2001	359,001,468
2002	561,859,024
2003	509,488,606
2004	381,607,734
2005	331,596,017

Source: City Finance Department.

## Municipal Sales Tax

The City has adopted the provisions of Sections 321.101 and 321.103 of the Texas Tax Code, which grants the City the power to impose and levy a one percent sales tax for general purposes of the City. On September 14, 2002, an election to adopt an additional one-quarter cent city sales and use tax for municipal street maintenance as permitted under Chapter 327 of the Texas Tax Code was held and the additional one-quarter cent sales and use tax was approved. The additional one-quarter cent sales and use tax became effective on January 1, 2003. On November 2, 2004, an election to adopt an additional one-half cent sales and use tax for the Dallas Cowboys Complex Development Project as permitted by Chapter 334 of the Texas Local Government Code was held and the additional one-half cent sales and use tax was approved. This additional one-half cent sales and use tax may only be used for the Dallas Cowboys Complex Development Project. The additional one-half cent sales and use tax will become effective on April 1, 2005. The Comptroller of Public Accounts of the State of Texas, after the deduction of a two percent service fee, currently remits monthly the City's portion of sales tax collections to the City. The statute provides the Comptroller must remit at least twice annually. Revenue from sales tax levied for general purposes of the City may not be pledged, under the applicable statutes, to the payment of debt service of the City's debt obligations.

<u>Fiscal Year</u>	<u>Sales Tax Receipts</u>	<u>Ad Valorem Tax Levy</u>	<u>Sales Tax as a % of Ad Valorem Tax Levy</u>	<u>Population Estimate</u>	<u>Per Capita Sales Tax Collection</u>
2000	\$43,383,927	\$72,828,633	60%	332,969 <sup>(1)</sup>	\$130.29
2001	44,436,164	78,838,868	56	339,215	131.00
2002	41,172,479	85,674,820	48	346,197	118.93
2003	38,695,033	90,940,968	43	351,719	110.02
2004	39,663,609	97,321,335	41	355,634	111.53

<sup>(1)</sup> Actual 2000 Census population.

Source: City Finance Department.

## Hotel Occupancy Tax Receipts

Under the provisions of Section 351.002 and 351.003 of the Texas Tax Code, the City is authorized to levy and collect a hotel occupancy tax not to exceed seven percent of the price paid for a room in a hotel in the City which costs \$2 or more per day and is ordinarily used for sleeping (the "Hotel Occupancy Tax") to pay for or finance a variety of public improvements, including, specifically, convention center facilities. Section 351.103(b) of the Texas Tax Code states that the Hotel Occupancy Tax revenue allocated by the municipality cannot exceed 15 percent for the encouragement, promotions and application of the arts and cannot exceed 15 percent for historical preservation project or activities. The City has levied a Hotel Occupancy Tax of seven percent since 1983. On November 2, 2004 an election was approved under Chapter 334 of the Texas Local Government Code to increase the Hotel Occupancy Tax by two percent for the Dallas Cowboys Complex Development Project. The additional two percent can only be used for this purpose and is effective on April 1, 2005.

The Series 1993 Refunding Bonds and the Combination Tax and Revenue Certificates of Obligation, Series 1998 are payable in part from the Hotel Occupancy Tax. Set forth below are the revenues received by the City from the Hotel Occupancy Tax for the last five years.

<b><u>Fiscal</u></b> <b><u>Year</u></b>	<b><u>Hotel Occupancy</u></b> <b><u>Tax Receipts</u></b>
2000.....	\$4,590,234
2001.....	4,675,990
2002.....	4,118,312
2003.....	3,909,501
2004.....	3,980,814

Source: City Finance Department.

## Dallas Cowboys Complex Development Project

On November 2, 2004, a majority of the voters of the City voted in favor of a proposition authorizing the City to provide for the planning, acquisition, establishment, development, construction and financing of the Dallas Cowboys Complex Development Project (the "Project") within the City and (i) to impose a sales and use tax within the City at a rate of one-half of one percent (0.5%), (ii) to impose a tax at a maximum rate of five percent (5%) on the gross rental receipts from the short-term rental in the City of a motor vehicle, (iii) to impose a tax on the occupancy of a room in a hotel located within the city, at a maximum rate of two percent (2%) of the price paid for such room, (iv) to impose an admissions tax on each ticket sold as admission to an event held at the Project at a maximum rate not to exceed ten percent (10%) of the price of the ticket, and (v) to impose a tax on each parked motor vehicle parking in a parking facility of the Project at a maximum rate not to exceed three dollars (\$3.00) per vehicle.

On February 8, 2005, the City Council approved the Cowboys Complex Funding and Closing Agreement (the "Agreement"). The Agreement anticipates the issuance of bonds, notes or other obligations by the City and the Cowboys by September 1, 2005, while reserving the right of either the City or the Cowboys to terminate the Agreement up to July 1, 2005. The issuance of the City's bonds, notes or other obligations are limited to a pledge of the revenue sources identified in the proposition in the paragraph listed above. The City's contribution to the Project is the lesser of \$325 million or fifty percent (50%) of the Project's cost.

## PENSION FUND

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), one of over 794 administered by TMRS, an agent multiple-employer public employee retirement system. TMRS issues a publicly available financial report that includes financial statements and required supplementary information for TMRS. That report may be obtained by writing TMRS, P.O. Box 149153, Austin, Texas, 78714 or by calling 512-476-7577.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100 percent, 150 percent, or 200 percent) of the employee's accumulated contributions. In addition, the City can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions, with interest, and the employer-financed monetary credits, with interest, were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years, but he must leave his accumulated contributions in the plan. If a member withdraws his own money, he is not entitled to the employer-financed monetary credits, even if he was vested. The plan provisions are adopted by the City Council, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Plan provisions for the City were as follows (as of 4/1/04):

Deposit Rate:	7%
Matching Ratio: (City to Employee)	2 to 1
A member is vested after:	5 years

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year open amortization period. When the City periodically adopts updated service credits and increases annuities in effect, the increased unfunded actuarial liability is to be amortized over a new 25-year period. Currently, the unfunded actuarial liability is being amortized over the 25-year period, which began in January 1997. The unit credit actuarial cost method is used for determining the City contribution rate. Contributions are made monthly by both the employees and the City. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year lag between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

For 2004, the City's annual pension cost of \$13,955,035 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the unit credit actuarial cost method. The actuarial assumptions included an 8 percent investment rate of return (net of administrative expenses), (b) no projected salary increases, (c) no cost of living adjustment, and (d) no inflation rate adjustment. The actuarial value of assets is adjusted cost for bonds (original cost adjusted for amortization of premium or accrual of discount) and original cost for short-term securities and stocks, which is the same as book value. The City's unfunded actuarial accrued liability is being amortized over a constant 25-year open amortization period as a level percentage of payroll.

The following table discloses three-year historical trend information relating to the TMRS plan.

<b><u>Fiscal</u></b> <b><u>Year</u></b> <b><u>Ending</u></b>	<b><u>Annual</u></b> <b><u>Pension</u></b> <b><u>Cost (APC)</u></b>	<b><u>Percentage</u></b> <b><u>of APC</u></b> <b><u>Contribution</u></b>	<b><u>Net</u></b> <b><u>Pension</u></b> <b><u>Obligation</u></b>
9/30/02	\$14,098,512	100.00%	-
9/30/03	\$14,117,102	100.00%	-
9/30/04	\$13,955,035	100.00%	-

## SELF INSURANCE

As of November 1, 1986, the City of Arlington became fully self-insured for General, Auto, Public Officials, and Law Enforcement Liability coverages. The self-insurance plan provides for \$1 million per occurrence coverage with a \$3 million annual aggregate loss limit. In the absence of commercial liability insurance at reasonable cost, alternative measures for funding liability claims expense had to be developed. Arlington officials created a fully funded self-insurance program by issuing taxable municipal obligations. An actuarial study performed by the Wyatt Company, Dallas, Texas, determined that the City of Arlington would need \$9.9 million to cover statistically predictable liability losses incurred between November 1, 1986, and November 1, 1996. Obligations were issued in the principal amount of \$9,000,000 and the City contributed \$1,000,000 from its General Fund. On January 12, 1999, the City issued \$7,000,000 Combination Tax and Revenue Certificates of Obligation, Taxable Series 1999. The proceeds of this issue have been used to recapitalize the City's self-insurance program. The annual actuarial study in May 1999 estimated that the \$7,000,000 of proceeds would adequately fund the self-insurance program through September 30, 2004. The City annually receives a report from its actuary indicating the adequacy of the funding of the City's self-insurance program. The most recent report received by the City on November 16, 2004, reflects that the self-insurance program should be adequately funded from funds currently on deposit through September 30, 2006.

On September 11, 2001, Ordinance 01-109 was passed by the Mayor and City Council, which extended the City's self-insurance and risk management program through September 30, 2005. Prior to such date it is anticipated the City Council will review the program for extension.

As of September 30, 2004, the total current assets less accounts payable and estimated current claims payable were \$4,285,000. The estimated non-current claims payable (long term claims) at September 30, 2004 was \$1,590,000. Claims occurring prior to November 1, 1986 are covered under the City's previous commercial insurance program. Property, Fidelity and Crime coverage's remain commercially insured.

## EXECUTION

This Official Statement was approved and the execution and delivery of this Official Statement authorized by the City of Arlington, Texas on February 22, 2005

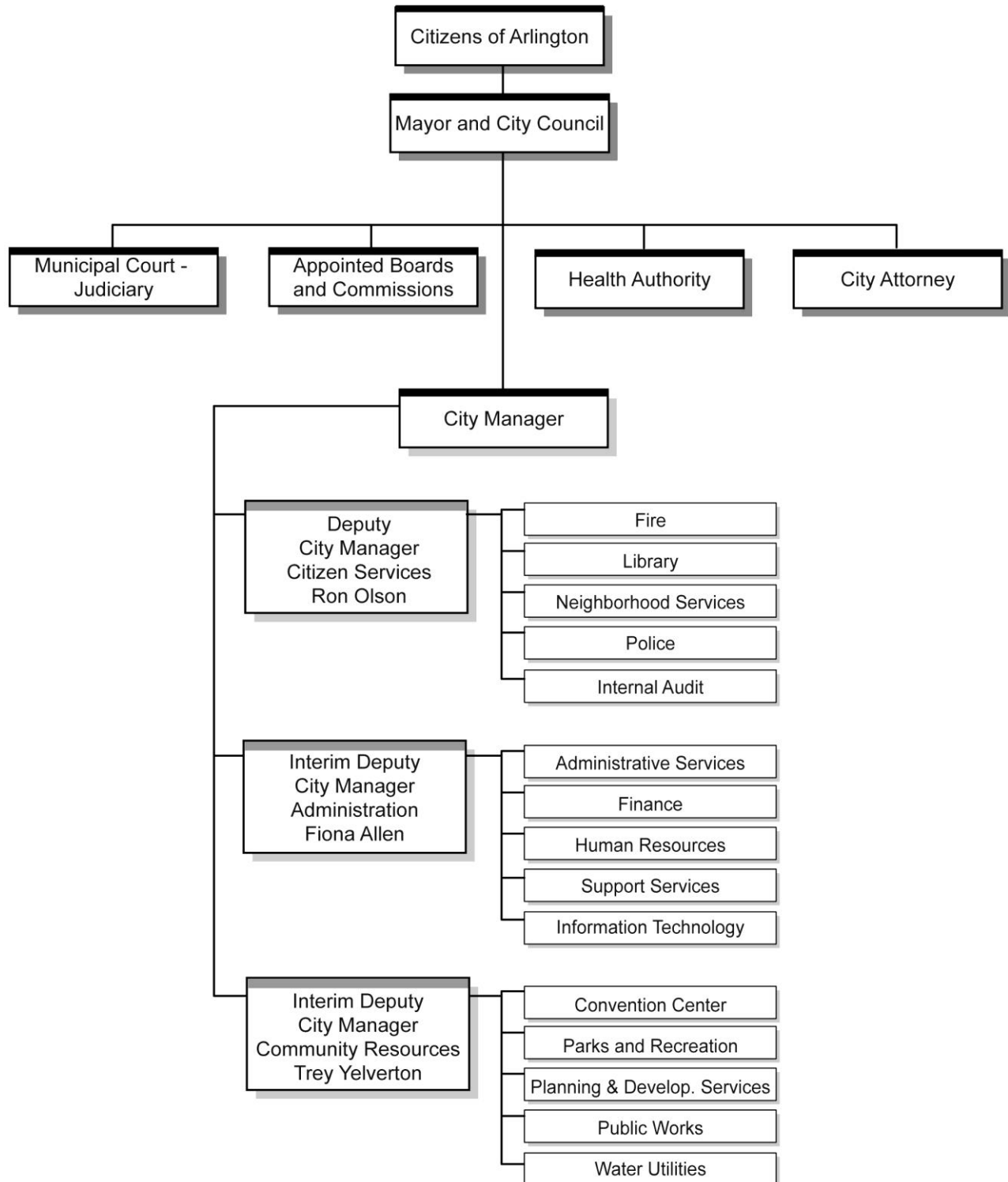
/s/ Robert N. Cluck  
Mayor, City of Arlington, Texas

ATTEST:

/s/ Barbara G. Heptig  
City Secretary  
City of Arlington, Texas

## APPENDIX A

### City of Arlington Organization Chart





**APPENDIX D**  
**(Specimen Bond Insurance Policy)**

## APPENDIX E

### SCHEDULE OF OBLIGATIONS TO BE REFUNDED

<u>Issue</u>	<u>Maturities Being Refunded</u>	<u>Principal Amount To be Refunded</u>	<u>Redemption Date</u>
Combination Tax and Revenue Certificates of Obligation, Series 1994	2006	\$105,000	05/09/2005
Combination Tax and Revenue Certificates of Obligation, Series 1996	2008-2009	410,000	08/15/2006
Combination Tax and Revenue Certificates of Obligation, Series 1997	2009-2017	3,470,000	08/15/2007
Permanent Improvement Bonds, Series 1997	2010-2017	13,590,000	08/15/2007
Combination Tax and Revenue Certificates of Obligation, Series 1998	2011-2019	8,480,000	08/15/2008
Combination Tax and Revenue Certificates of Obligation, Series 1998-A	2011-2015 2018 (Term)	2,295,000	08/15/2008
Permanent Improvement Bonds, Series 1998	2011-2016 2018 (Term)	7,840,000	08/15/2008
Combination Tax and Revenue Certificates of Obligation, Series 1999-A	2012-2014 2019 (Term)	160,000	08/15/2009
Permanent Improvement Bonds, Series 1999	2012-2019	12,640,000	08/15/2009
Combination Tax and Revenue Certificates of Obligation, Series 2000	2013-2020	800,000	08/15/2010
Permanent Improvement Bonds, Series 2000	2013-2020	12,325,000	08/15/2010
Combination Tax and Revenue Certificates of Obligation, Series 2001-B	2018-2019 2021 (Term)	1,700,000	08/15/2011
Permanent Imp. Refunding Bonds, Series 2001-A	2014 and 2016	1,660,000 <sup>(1)</sup>	08/15/2011
Permanent Improvement Bonds, Series 2001-B	2015-2017 2021 (Term)	3,500,000 <sup>(2)</sup>	08/15/2011

<sup>(1)</sup> Partial maturities refunded – 2014 - \$1,125,000 and 2016 - \$535,000.

<sup>(2)</sup> Partial maturities refunded – 2015 thru 2017 - \$500,000 per year, 2021 term- \$2,000,000.